

EURONET WORLDWIDE INC  
Form 10-K  
February 29, 2016

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

---

FORM 10-K

---

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: December 31, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-31648

EURONET WORLDWIDE, INC.  
(Exact name of Registrant as specified in its charter)

---

DELAWARE  
(State or other jurisdiction of incorporation or organization)

74-2806888  
(I.R.S. Employer Identification No.)

3500 COLLEGE BOULEVARD  
LEAWOOD, KANSAS  
(Address of principal executive offices)

66211  
(Zip Code)

(913) 327-4200  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$0.02 par value	Nasdaq Stock Market, LLC
Preferred Stock Purchase Rights	Nasdaq Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act: None

---

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Edgar Filing: EURONET WORLDWIDE INC - Form 10-K

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

As of June 30, 2015, the aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was approximately \$3.1 billion. The aggregate market value was determined based on the closing price of the Common Stock on June 30, 2015.

As of February 25, 2016, the registrant had 53,066,012 shares of Common Stock outstanding.

#### Documents Incorporated By Reference

Portions of the registrant's Proxy Statement for its 2016 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2015, are incorporated by reference into Part III of this Annual Report on Form 10-K.

## Table of Contents

Item Number	Item Description	Page
<u>Part I</u>		
Item 1.	<u>Business</u>	<u>3</u>
Item 1A.	<u>Risk Factors</u>	<u>19</u>
Item 1B.	<u>Unresolved Staff Comments</u>	<u>33</u>
Item 2.	<u>Properties</u>	<u>33</u>
Item 3.	<u>Legal Proceedings</u>	<u>33</u>
Item 4	<u>Mine Safety Disclosures</u>	<u>33</u>
<u>Part II</u>		
Item 5.	<u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>34</u>
Item 6.	<u>Selected Financial Data</u>	<u>37</u>
Item 7.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>38</u>
Item 7A.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>65</u>
Item 8.	<u>Financial Statements and Supplementary Data</u>	<u>67</u>
Item 9.	<u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	<u>110</u>
Item 9A.	<u>Controls and Procedures</u>	<u>110</u>
Item 9B.	<u>Other Information</u>	<u>111</u>
<u>Part III</u>		
Item 10.	<u>Directors, Executive Officers and Corporate Governance</u>	<u>111</u>
Item 11.	<u>Executive Compensation</u>	<u>111</u>
Item 12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>111</u>
Item 13.	<u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>111</u>
Item 14.	<u>Principal Accounting Fees and Services</u>	<u>111</u>
<u>Part IV</u>		
Item 15.	<u>Exhibits and Financial Statement Schedules</u>	<u>112</u>
	<u>Signatures</u>	<u>116</u>

Table of Contents

Part I

Item 1. Business

References in this report to “we,” “our,” “us,” the “Company” and “Euronet” refer to Euronet Worldwide, Inc. and its subsidiaries unless the context requires otherwise.

Business Overview

General Overview

Euronet is a leading electronic payments provider. We offer payment and transaction processing and distribution solutions to financial institutions, retailers, service providers and individual consumers. Our primary product offerings include comprehensive automated teller machine (“ATM”), point-of-sale (“POS”), card outsourcing, card issuing and merchant acquiring services; software solutions; electronic distribution of prepaid mobile airtime and other electronic payment products; foreign exchange services and global money transfer services.

Core Business Segments

We operate in the following three segments as of December 31, 2015:

The EFT Processing Segment processes transactions for a network of 21,360 ATMs and approximately 113,000 POS terminals across Europe, the Middle East and Asia Pacific. We provide comprehensive electronic payment solutions consisting of ATM cash withdrawal and deposit services, ATM network participation, outsourced ATM and POS management solutions, credit and debit card outsourcing, and card issuing and merchant acquiring services. In addition to our core business, we offer a variety of value added services, including ATM and POS dynamic currency conversion, advertising, customer relationship management (“CRM”), mobile top-up, bill payment, fraud management and foreign remittance payout. Through this segment, we also offer a suite of integrated electronic financial transaction (“EFT”) software solutions for electronic payment and transaction delivery systems. In 2015, the EFT Processing Segment accounted for approximately 21% of Euronet's consolidated revenues.

The epay Segment provides electronic distribution and processing of prepaid mobile airtime and other electronic payment products and collection services for various payment products, cards and services. We operate a network that includes approximately 674,000 POS terminals that enable electronic processing of prepaid mobile airtime “top-up” services and other non-mobile content in Europe, the Middle East, Asia Pacific, the United States and South America. We also provide vouchers and physical gift fulfillment services in Europe, gift card distribution and processing services in most of our markets and digital code distribution in a growing number of markets. Through this segment, we believe we are the world's leading international network for distribution of prepaid mobile airtime. In 2015, the epay Segment accounted for approximately 40% of Euronet's consolidated revenues.

The Money Transfer Segment provides global consumer-to-consumer money transfer services, primarily under the brand names Ria, AFEX Money Express, IME and XE, and global account-to-account money transfer services under the brand name HiFX. We offer services under the brand name Ria and IME through a network of sending agents, Company-owned stores (primarily in North America, Europe and Malaysia) and our websites (riamoneytransfer.com and imeremit.com), disbursing money transfers through a worldwide correspondent network that includes approximately 292,000 locations. XE is a provider of foreign currency exchange information and offers money transfer services on its currency data websites (xe.com and x-rates.com), which are executed by a third party. We offer

services under the brand name HiFX through our HiFX websites ([www.hifx.co.uk](http://www.hifx.co.uk) and [www.hifx.com.au](http://www.hifx.com.au)) and HiFX customer service representatives. In addition to money transfers, we also offer customers bill payment services (primarily in the U.S.), payment alternatives such as money orders and prepaid debit cards, comprehensive check cashing services for a wide variety of issued checks, along with competitive foreign currency exchange services and mobile top-up. Through our HiFM brand, we offer cash management solutions and foreign currency risk management services to small-to-medium sized businesses. We are one of the largest global money transfer companies in terms of revenues and transaction volumes. In 2015, the Money Transfer Segment accounted for approximately 39% of Euronet's consolidated revenues.

## Table of Contents

Euronet conducts business globally, serving customers in approximately 165 countries. We have thirteen transaction processing centers, including six in Europe, five in Asia Pacific and two in North America. We also maintain 56 business offices that are located in 39 countries. Our corporate offices are located in Leawood, Kansas, USA.

### Historical Perspective

Euronet was established in 1994 as Euronet Bank Access Kft., a Hungarian limited liability company. Operations began in 1995 when we established a processing center in Budapest, Hungary and installed our first ATMs in Hungary, followed by Poland and Germany in 1996. Euronet was reorganized in March 1997, in connection with its initial public offering, and at that time, our operating entities became wholly owned subsidiaries of Euronet Services, Inc., a Delaware corporation. We changed our name from Euronet Services, Inc. to Euronet Worldwide, Inc. in August 2001.

Initially, most of Euronet's resources were devoted to establishing and expanding the ATM network and ATM management services business in Europe. In December 1998, we acquired Arkansas Systems, Inc. (now known as "Euronet USA"), a U.S.-based company that produces electronic payment and transaction delivery systems software for retail banks internationally, which resulted in significant ongoing savings in third-party licensing, services and maintenance costs. By the end of 1998, we were doing business in Hungary, Poland, Germany, the Czech Republic and Croatia.

In 2005, we expanded the product offerings of the EFT Processing Segment through the acquisition of Instreamline S.A., a Greek company that provides credit card and POS outsourcing services in addition to debit card and transaction gateway switching services in Greece and the Balkan region. In 2007, we combined our EFT and Software segments as both businesses are strategically aligned due to the fact that our software segment primarily supports our EFT service offerings and processing centers. In 2009 Euronet, through one of its group companies, was granted authorization as an e-money institution in the United Kingdom under the E-Money Directive. Euronet obtained relevant memberships of Visa and MasterCard during 2011. In 2011, the Second E-Money Directive ("2EMD") came into effect. 2EMD enables authorized e-money institutions to provide payment services and issue e-money throughout the European Economic Area under a single regulatory framework. By obtaining the status as an authorized e-money institution together with its principal memberships of Visa and MasterCard, Euronet has been able to expand its Independent ATM Deployed ("IAD") networks across Europe. By the end of 2015, Euronet's IAD network of ATMs had expanded to include 19 countries. Our product portfolio for the EFT Processing Segment operates in 49 countries.

In 2003, Euronet added a complementary business line through the acquisition of epay Limited ("epay"), which had offices in the U.K. and Australia. Through subsequent acquisitions between 2003 and 2011, the epay Segment continued to expand in Europe (Germany, Romania, Spain and the U.K.), the U.S., the Middle East, Asia and Brazil, and established new offices in New Zealand, Poland, India and Italy. We believe the epay Segment is the world's leading international network for distribution and processing of prepaid mobile airtime ("top-up") as well as other electronic payment products and services.

In 2007, we established the Money Transfer Segment after completing the acquisition of Los Angeles-based Ria, one of the largest global money transfer companies in terms of revenues and transaction volumes. Established in 1987, Ria originates and terminates transactions through a network of sending agents and Company-owned stores located around the world. In November 2009, Ria obtained a payment services license under the Payment Services Directive ("PSD") from the U.K. Financial Services Authority, which allowed Ria to operate under one license and one regulator for all European Economic Area Member States. The license also facilitated expansion into new markets through the sales of money transfers through agents in countries where the use of agents was not previously permitted. In 2014, Euronet added a complementary product to the money transfer portfolio through the acquisition of HiFX, which offers account-to-account international payment services to high-income individuals and small-to-medium sized businesses.

In addition to expanding its money transfer network, the segment expanded its product portfolio to offer complementary non-money transfer products such as bill payment and check cashing, and prepaid services in conjunction with the epay Segment.

#### 2015 Developments

In June 2015, the Company completed the acquisition of IME (M) Sdn Bhd and certain affiliated companies ("IME"). IME is a leading Malaysian-based money transfer provider and provided the Money Transfer Segment with immediate entry into the Asian and Middle East send markets.

Table of Contents

In July 2015, the Company completed the acquisition of XE Corporation and its subsidiaries ("XE"). XE Corporation is a Canadian company which operates the xe.com and x-rates.com websites, providing currency-related data and international payments services. This acquisition provided Euronet an internationally recognized financial services brand with a large Internet presence in which we will offer our foreign currency products.

## Business Segment Overview

For a discussion of operating results by segment, please see Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations, and Note 16, Business Segment Information, to the Consolidated Financial Statements.

## EFT Processing Segment

## Overview

Our EFT Processing Segment provides comprehensive electronic payment solutions consisting of ATM cash withdrawal and deposit services, ATM network participation, outsourced ATM and POS management solutions, credit and debit card outsourcing; card issuing and merchant acquiring services. In addition to our core business, we offer a variety of value added services, including ATM and POS dynamic currency conversion, advertising, CRM, prepaid mobile top-up, bill payment, fraud management and foreign remittance payout. We provide these services either through our Euronet-owned ATMs and POS terminals, through contracts under which we operate ATMs and POS terminals on behalf of our customers or, for certain services, as stand alone products. Through this segment, we also offer a suite of integrated EFT software solutions for electronic payment and transaction delivery systems.

The major sources of revenues generated by our ATM network are recurring monthly management fees, transaction-based fees and margins earned on dynamic currency conversion transactions. We receive fixed monthly fees under many of our outsourced management contracts. The EFT Processing Segment also generates revenues from POS operations and merchant management, card network management for credit, debit, prepaid and loyalty cards, prepaid mobile airtime recharge on ATMs and ATM advertising. We primarily service financial institutions in the developing markets of Central, Eastern and Southern Europe (Hungary, Poland, the Czech Republic, Croatia, Romania, Slovakia, Serbia, Greece and Ukraine), the Middle East and Asia Pacific (India, China and Pakistan), as well as several developed countries of Western Europe. As of December 31, 2015, we operated 21,360 ATMs compared to 20,364 at December 31, 2014. The increase was largely due to growth in India and expansion of our IAD networks in several European countries, partially offset by the termination of approximately 1,300 loss-generating ATMs in China.

We monitor the number of transactions made by cardholders on our network. These include cash withdrawals, balance inquiries, deposits, prepaid mobile airtime recharge purchases, dynamic currency conversion transactions and certain denied (unauthorized) transactions. We do not bill certain transactions on our network to financial institutions, and we have excluded these transactions for reporting purposes. The number of transactions processed over our networks has increased over the last five years at a compound annual growth rate ("CAGR") of approximately 9% as indicated in the following table:

(in millions)	2011	2012	2013	2014	2015
EFT Processing transactions per year	943	1,164	1,188	1,262	1,318

Our processing centers for the EFT Processing Segment are located in Budapest, Hungary; Mumbai, India; Beijing, China; and Karachi, Pakistan. They operate 24 hours a day, seven days a week and consist of production IBM iSeries



computers, which run various proprietary software packages.

#### EFT Processing Products and Services

#### Outsourced Management Solutions

Euronet offers outsourced management services to financial institutions, merchants, mobile phone operators and other organizations using our processing centers' electronic financial transaction processing software. Our outsourced management services include management of existing ATM networks, development of new ATM networks, management of POS networks, management of automated deposit terminals, management of credit and debit card databases and other financial processing services. These services include 24-hour monitoring of each ATM's status and cash condition, managing the cash levels in each

## Table of Contents

ATM, coordinating the cash delivery and providing automatic dispatches for necessary service calls. We also provide real-time transaction authorization, advanced monitoring, network gateway access, network switching, 24-hour customer service, maintenance, cash settlement and reconciliation, forecasting and reporting. Since our infrastructure can support a significant increase in transactions, any new outsourced management services agreements should provide additional revenue with lower incremental cost.

Our outsourced management services agreements generally provide for fixed monthly management fees and, in most cases, fees payable for each transaction. The transaction fees under these agreements are generally lower than those under card acceptance agreements.

### Euronet-Branded ATM Transaction Processing

Our Euronet-branded ATM networks, also known as IAD networks, are primarily managed by a processing center that uses our internally developed software solutions. The ATMs in our IAD networks are able to process transactions for holders of credit and debit cards issued by or bearing the logos of financial institutions and international card organizations such as American Express®, Visa®, MasterCard®, Diners Club International®, Discover® and China Union Pay, as well as international ATM networks such as PULSE®. This is accomplished through our agreements and relationships with these institutions, international credit and debit card issuers and international card associations.

When a bank cardholder conducts a transaction on a Euronet-owned ATM or automated deposit terminal ("ADT"), we receive a fee from the cardholder's bank for that transaction. The bank pays us this fee either directly or indirectly through a central switching and settlement network. When paid indirectly, this fee is referred to as the "interchange fee." All of the banks in a shared ATM and POS switching system establish the amount of the interchange fee by agreement. We receive transaction-processing fees for successful transactions and, in certain circumstances, for transactions that are not completed because they fail to receive authorization. The fees paid to us by the card issuers are independent of any fees charged by the card issuers to cardholders in connection with the ATM transactions.

We generally receive fees or earn margin from our customers for six types of ATM transactions:

• Cash withdrawals;

• Cash deposits;

• Balance inquiries;

• Transactions not completed because the relevant card issuer does not give authorization;

• Dynamic currency conversion; and

• Prepaid telecommunication recharges.

### Card Acceptance or Sponsorship Agreements

Our agreements with financial institutions and international card organizations generally provide that all credit and debit cards issued by the customer financial institution or organization may be used at all ATMs that we operate in a given market. In most markets, we have agreements with a financial institution under which we are designated as a service provider (which we refer to as "sponsorship agreements") for the acceptance of cards bearing international logos, such as Visa and MasterCard. These card acceptance or sponsorship agreements allow us to receive transaction authorization directly from the card issuing institution or international card organization. Our agreements generally

provide for a term of three to seven years and renew automatically unless either party provides notice of non-renewal prior to the termination date. In some cases, the agreements are terminable by either party upon six months' notice. We are generally able to connect a financial institution to our network within 30 to 90 days of signing a card acceptance agreement. Generally, the financial institution provides the cash needed to complete transactions on the ATM, but we do provide a portion of the cash to our IAD network to fund ATM transactions ourselves. Euronet is generally liable for the cash in the ATM networks.

Under our card acceptance agreements, the ATM transaction fees we charge vary depending on the type of transaction and the number of transactions attributable to a particular card issuer. Our agreements generally provide for payment in local currency. Transaction fees are sometimes denominated in euros or U.S. dollars. Transaction fees are billed to financial institutions and card organizations with payment terms typically no longer than one month.

## Table of Contents

### Dynamic Currency Conversion

We offer dynamic currency conversion (“DCC”) over our IAD networks, ATM networks that we operate on an outsourced basis for banks, and over banks' ATM networks or POS devices as a stand-alone service. DCC is a feature of the underlying ATM or POS transaction that is offered to customers completing transactions using a foreign debit or credit card in another country. The customer is offered a choice between two alternatives for the foreign exchange conversion of the funds delivered at an ATM or transactions completed through the POS terminal by the transaction acquirer, the first being the DCC offering which results in a pre-defined amount of the customer's local currency being charged to their card. Alternatively, the customer may have the transaction converted in the ordinary way, in which the amount of foreign currency is communicated to the card issuing bank and the card issuing bank makes the conversion. In this latter case, the customer generally is not informed of the exchange rate used by the card issuing bank until settlement of the transaction.

When a customer chooses DCC at an ATM or POS device and Euronet acts as the acquirer or processor, we receive all or a portion of the foreign exchange margin on the conversion of the transaction. On our IAD ATMs, Euronet receives the entire exchange margin. On ATMs or POS devices that are operated for banks, or where we offer DCC as a stand-alone service to banks or merchants, we share the foreign exchange margin. The foreign exchange margin on a DCC transaction can substantially increase the amount Euronet earns from the underlying ATM or POS transaction and increase the profitability of those ATMs on which DCC is offered.

### Other Products and Services

Our network of owned or operated ATMs allows for the sale of financial and other products or services at a low incremental cost. We have developed value added services in addition to basic cash withdrawal and balance inquiry transactions. These value added services include DCC, mobile top-up, fraud management, bill payment, CRM, foreign remittance payout, and advertising. We are committed to the ongoing development of innovative new products and services to offer our EFT processing customers.

Euronet offers multinational merchants a Single European Payments Area (“SEPA”)-compliant cross-border transaction processing solution. SEPA is an area in which all electronic payments can be made and received in euros, whether between or within national boundaries, under the same basic conditions, rights and obligations, regardless of their location. This single, centralized acquiring platform enables merchants to benefit from cost savings and faster, more efficient payments transfer. Although many European countries are not members of the eurozone, the platform can serve the merchants in these countries as well, through its multi-currency functionality.

### Software Solutions

We also offer a suite of integrated software solutions for electronic payments and transaction delivery systems. We generate revenues for our software products from licensing, professional services and maintenance fees for software and sales of related hardware, primarily to financial institutions around the world.

Additionally, our software products are an integral part of the EFT Processing Segment product lines, and our investment in research, development, delivery and customer support reflects our ongoing commitment to an expanded customer base both internally and externally. Our proprietary software is used by processing centers in our EFT Processing Segment, resulting in cost savings and added value compared to third-party license and maintenance options.

### EFT Processing Segment Strategy

The EFT Processing Segment maintains a strategy to expand the network of ATMs and POS terminals into developed and developing markets that have the greatest potential for growth. In addition, we follow a supporting strategy to increase the penetration of value added (or complementary) services across our existing customer base, including DCC, advertising, fraud management, bill payment, mobile top-up, CRM and foreign remittance payout.

We continually strive to make our own ATM networks more efficient by eliminating underperforming ATMs and installing ATMs in more desirable locations. We will make selective additions to our own ATM network if we see market demand and profit opportunities. In tourist locations, we also shut down ATMs during the winter season when tourist activity is low.

## Table of Contents

In recent years, the need for “all-in” services has increased. Banks, particularly smaller banks, are increasingly looking for integrated ATM, POS and card issuing processing and management services. Euronet is well positioned for this opportunity as it can offer a full end-to-end solution to the potential partners.

Additional growth opportunities are driven through financial institutions that are receptive to outsourcing the operation of their ATM, POS and card networks. The operation of these devices requires expensive hardware and software and specialized personnel. These resources are available to us, and we offer them to our customers under outsourcing contracts. The expansion and enhancement of our outsourced management solutions in new and existing markets will remain an important business opportunity for Euronet. Increasing the number of non-owned ATMs and POS terminals that we operate under management services agreements and continued development of our credit and debit card outsourcing business would provide continued growth while minimizing our capital investment.

Complementary services offered by our epay Segment, where we provide prepaid top-up services through POS terminals, strengthens the EFT Processing Segment's line of services. We plan to continue to expand our technology and business methods into other markets where we operate and further leverage our relationships with mobile phone operators and financial institutions to facilitate that expansion.

### Seasonality

Our EFT Processing business experiences its heaviest demand for DCC during the third quarter of the fiscal year, coinciding with the tourism season. It is also impacted by seasonality during the fourth quarter and first quarter of each year due to higher transaction levels during the holiday season and lower levels after the holiday season.

### Significant Customers and Government Contracts

No individual customer of the EFT Processing Segment makes up greater than 10% of total consolidated revenues. In India, we have contracts with government-owned banks to provide certain ATM services, including mobile airtime recharge services. Additionally, certain government-owned banks are members of our shared ATM network in India. In Croatia, we lease land and other property for certain ATM sites from companies that are majority-owned by the government. In Pakistan, we have a contract with a government-owned bank to provide software support services.

### Competition

Our principal EFT Processing competitors include ATM networks owned by financial institutions and national switches consisting of consortiums of local banks that provide outsourcing and transaction services to financial institutions and independent ATM deployers in a particular country. Additionally, large, well-financed companies that operate ATMs offer ATM network and outsourcing services, and those that provide card outsourcing, POS processing and merchant acquiring services also compete with us in various markets. Small local operators have also recently begun offering their services, particularly in the IAD market. None of these competitors has a dominant market share in any of our markets. Competitive factors in our EFT Processing Segment include breadth of service offering, network availability and response time, price to both the financial institution and to its customers, ATM location and access to other networks.

### epay Segment

#### Overview

We currently offer prepaid mobile airtime top-up services and other prepaid and payment products on a network of approximately 674,000 POS terminals across approximately 307,000 retailer locations in Europe, the Middle East,

Asia Pacific, the United States and South America. We believe we are the world's leading international network for distribution of prepaid mobile airtime (top-up). Our processing centers for the epay Segment are located in London, U.K.; Martinsried, Germany; Hamburg, Germany; Milan, Italy; Buena Park, California, USA; and Kansas City, Missouri, USA.

Since 2003, we have expanded our prepaid business in new and existing markets by drawing upon our depth of experience to build and expand relationships with mobile phone operators, prepaid content providers and retailers. In addition to prepaid mobile airtime, we offer a wide range of products across our retail networks, including prepaid debit cards, gift cards, prepaid vouchers, transport payments, lottery payments, prepaid digital content such as music, games and software, prepaid long distance and bill payment.

## Table of Contents

### Sources of Revenues

The epay Segment generates commissions or processing fees from telecommunications service providers for the sale and distribution of prepaid mobile airtime and from the distribution of electronic payment products referenced in the preceding paragraph.

Customers using mobile phones generally pay for their usage in two ways:

- Through “postpaid” accounts, where usage is billed at the end of each billing period; and
- Through “prepaid” accounts, where customers pay in advance by crediting their accounts prior to usage.

Although mobile phone operators in the U.S. and certain European countries have provided service principally through postpaid accounts, the norm in many other countries in Europe and the rest of the world is to offer wireless service on a prepaid basis.

Prepaid mobile phone credits are generally distributed using personal identification numbers or "PINs." We distribute PINs in two ways. First, we establish an electronic connection to the mobile operator and the retailer. When the sale to a customer is initiated, the terminal requests the PIN from the mobile operator via our transaction processing platform. These transactions obtain the PIN directly from the mobile operator and, therefore, Euronet does not carry PIN inventory. The customer pays the retailer and the retailer becomes obligated to make settlement to us of the principal amount of the mobile airtime sold. We maintain systems that know the amount of mobile top-up sold by the retailer which allows us in turn to bill that retailer for the mobile top-up sold.

Second, we purchase PINs from the mobile operator which are electronically sent to our processing platform. We establish an electronic connection with the POS terminals in retailer locations and our processing platform provides the terminal with a PIN when the mobile top-up is purchased. We maintain systems that monitor transaction levels at each terminal. As sales of prepaid mobile airtime to customers are completed, the inventory on the platform is reduced by the PIN purchased. The customer payment and settlement with the retailer are the same as described above.

We expand our distribution networks through the signing of new contracts with retailers, and in some markets, through the acquisition of existing networks. We are continuing to focus on our growing network of distributors, generally referred to as Independent Sales Organizations that contract with retailers in their network to distribute prepaid mobile airtime or other content from their POS terminals. We continue to increase our focus on direct relationships with chains of supermarkets, convenience stores, petrol stations, and other larger scale retailers, where we can negotiate agreements with the retailer on a multi-year basis.

### epay Products and Services

#### Prepaid Mobile Airtime Transaction Processing

We process prepaid mobile airtime top-up transactions on our POS network across Europe, the Middle East, Asia Pacific, North America and South America for two types of clients: distributors and retailers. Both types of client transactions start with a consumer in a retail store. The retailer uses a specially programmed POS terminal in the store, the retailer's electronic cash register (ECR) system, or web-based POS device that is connected to our network to buy prepaid mobile airtime. The customer will select a predefined amount of mobile airtime from the carrier of choice, and the retailer enters the selection into the POS terminal. The consumer will pay that amount to the retailer (in cash or other payment methods accepted by the retailer). The POS device then transmits the selected transaction to our processing center. Using the electronic connection we maintain with the mobile phone operator or drawing from our



inventory of PINs, the purchased amount of mobile airtime will be either credited to the consumer's account or delivered via a PIN printed by the terminal and given to the consumer. In the case of PINs printed by the terminal, the consumer must then call the mobile phone operator's toll-free number to activate the purchased airtime to the consumer's mobile account.

One difference in our relationships with various retailers and distributors is the way in which we charge for our services. For distributors and certain very large retailers, we charge a processing fee. However, the majority of our transactions occur with smaller retailers. With these clients, we receive a commission on each transaction that is withheld from the payments made to the mobile phone operator, and we share that commission with the retailers.

Table of Contents

## Non-Mobile Products and Services

Our POS network can be used for the distribution of other products and services. Although prepaid mobile airtime is the most significant product distributed through our epay Segment, additional products include long distance calling card plans, prepaid Internet plans, debit cards, gift cards, prepaid vouchers, transport payments, lottery payments, bill payment and digital content such as music, games and software. Through our cadooz subsidiary, we also distribute vouchers and physical gifts. In certain locations, the terminals used for prepaid services can also be used for electronic funds transfer to process credit and debit card payments for retail merchandise. In 2015, revenues and gross profit from products other than prepaid mobile airtime were approximately 54% and 46%, respectively, of the total for the epay Segment.

## Retailer and Distributor Contracts

We provide our prepaid services through POS terminals or web-based POS devices installed in retail outlets or, in the case of major retailers, through direct connections between their ECR systems and our processing centers. In markets where we operate proprietary technology (the U.K., Germany, Australia, Poland, Ireland, New Zealand, Spain, Greece, India, Italy, Brazil and the U.S.), we generally own and maintain the POS terminals. In certain countries in Europe, the terminals are sold to the retailers or to distributors who service the retailer. Our agreements with major retailers for the POS services typically have one to three-year terms. These agreements include terms regarding the connection of our networks to the respective retailer's registers or payment terminals or the maintenance of POS terminals, and obligations concerning settlement and liability for transactions processed. Generally, our agreements with individual or small retailers have shorter terms and provide that either party can terminate the agreement upon three to six months' notice.

In Germany, distributors are key intermediaries in the sale of mobile top-up. As a result, our business in Germany is substantially concentrated in, and dependent upon, relationships with our major distributors. The termination of any of our agreements with major distributors could materially and adversely affect our prepaid business in Germany. However, we have been establishing agreements with independent German retailers in order to diversify our exposure to such distributors.

The number of transactions processed on our POS network has increased over the last five years at a CAGR of approximately 6% as indicated in the following table:

(in millions)	2011	2012	2013	2014	2015
epay processing transactions per year	1,064	1,113	1,115	1,244	1,335

## epay Segment Strategy

The global strategy for the epay Segment is to grow market share by defending mature markets, focusing expansion activity in growth markets and adding positive operating income in all other developing markets.

In addition to maintaining and growing market share in prepaid mobile airtime top-up, our growth strategy is achieved through the introduction of new products and content. New product initiatives focus on products outside of prepaid mobile airtime top-up and processing, including gift card malls, prepaid debit cards, transport and digital content, including music, software and games. Strategic execution behind new products includes the development of relationships with global consumer product brands. This strategy leverages the global scale of the epay business allowing global brands to be sold in many or all of the countries in which we have a presence. Examples of global brands we distribute include iTunes, Google Play and Microsoft products.

Telecommunications companies and other content providers have a substantial opportunity to increase revenues by diversifying the products and services currently offered to their retailers. epay is deploying additional content through its POS network to retailers and distributors all over the world. The reach, capabilities and quality of the epay network are appealing as a global distribution channel. We are one of the largest worldwide multi-country operators, and believe we have a distinct competitive advantage from the existing relationships that we maintain with prepaid content providers and retailers.

#### Seasonality

The epay business is significantly impacted by seasonality during the fourth quarter and first quarter of each year due to the higher transaction levels during the holiday season and lower levels following the holiday season.

## Table of Contents

### Significant Customers and Government Contracts

No individual customer of our epay Segment makes up greater than 10% of total consolidated revenues. epay has a contract for the technology and distribution infrastructure for six state-owned lotteries in Germany. In addition, epay has contracts with the state of Florida's (USA) Turnpike partners and Queensland Motorways in Australia. In New Zealand, we have a contract with Glo Bug prepaid power to allow customers to purchase prepaid power through various retail locations. Through Glo Bug, we have a contract with Mercury Energy, the power provider, which is a subsidiary of the government-owned enterprise, Mighty River Power. In Germany, cadooz has a contract with Deutsche Bahn, which is majority owned by the German state. We also have a contract for the distribution of mobile airtime with a Saudi company, which is majority owned by the Saudi government. There are no other government contracts in the epay Segment.

### Competition

We face competition in the prepaid business in all of our markets. We compete with a few multinational companies that operate in several of our markets. In other markets, our competition is from smaller, local companies. The mobile operators in all of our markets have retail distribution networks, and in some markets, on-line distribution of their own through which they offer top-up services for their own products.

We believe our size and market share are competitive advantages in many markets. In addition, we believe our platforms are a competitive advantage. We have extremely flexible technical platforms that enable us to tailor POS solutions to individual retailers and mobile operator requirements where appropriate. Our platforms are also able to provide value added services other than processing which makes us a more valuable partner to the mobile operators and retailers. We have introduced new digital products into the marketplace such as digital payment for online media subscriptions. Many of these products are not offered by our competitors and in many countries, these are new products. We are capitalizing on being the first to market for these products.

The principal competitive factors in the epay Segment include price (that is, the level of commission paid to retailers for each transaction), breadth of products and up-time offered on the system. Major retailers with high volumes are in a position to demand a larger share of the commission, which increases the amount of competition among service providers. We are seeing signs that some mobile operators are expanding their distribution networks to provide top-up services on-line or via mobile devices, which provides other alternatives for consumers to use.

### Money Transfer Segment

#### Overview

We provide global money transfer services primarily under the brand names Ria, IME, XE and HiFX. Ria and IME provide consumer-to-consumer money transfer services through a global network of more than 292,000 locations and our websites [riamoneytransfer.com](http://riamoneytransfer.com) and [imeremit.com](http://imeremit.com). Most of our money transfers are originated through sending agents in approximately 32 countries, with money transfer delivery completed in 147 countries. The initiation of a consumer money transfer occurs through retail agents, Company-owned stores or online, while the delivery of money transfers can occur with bank correspondents, retailer agents or from certain ATMs. Our websites allow consumers to send funds online, generally using a credit or debit card, for pay-out directly to a bank account or for cash pickup. Additionally, XE provides foreign currency exchange information and offers money transfer services on its currency data websites ([www.xe.com](http://www.xe.com) and [www.x-rates.com](http://www.x-rates.com)), which are executed through a third party.

In addition, we provide global account-to-account money transfer services under the brand name HiFX. We offer services via our HiFX websites ([www.hifx.com](http://www.hifx.com), [www.hifx.co.uk](http://www.hifx.co.uk) and [www.hifx.com.au](http://www.hifx.com.au)) and through HiFX customer

service representatives. Through our HiFM brand, we offer cash management solutions and foreign currency risk management services to small-to-medium sized businesses.

We monitor the number of transactions made through our money transfer networks. The number of transactions processed on our network has increased over the last five years at a CAGR of approximately 30% as indicated in the following table:

(in millions)	2011	2012	2013	2014	2015
Money transfer transactions per year	24.3	30.7	35.2	48.5	68.7

## Table of Contents

Our sending agent network includes a variety of agents, including a large U.S.-based retailer, large/medium size regional retailers, convenience stores, bodegas, multi-service shops and phone centers, which are predominantly found in areas with a large immigrant population. Each Ria money transfer transaction is processed using Euronet's proprietary software system and checked for security, completeness and compliance with federal and state regulations at every step of the process. Senders can track the progress of their transfers through Ria's customer service representatives, and funds are delivered quickly to their beneficiaries via our extensive payout network, which includes large banks and non-bank financial institutions, post offices and large retailers. Our processing centers for the Money Transfer Segment are located in Buena Park, California, USA; Windsor, U.K.; Auckland, New Zealand; Kansas City, Missouri, USA; and Kuala Lumpur, Malaysia. We operate Ria call centers in Buena Park, California; Antigua Cuscatlán, El Salvador; and Madrid, Spain and provide multi-lingual customer service for both our agents and consumers. Additionally, we operate HiFX call centers in Windsor, U.K. and Sydney, Australia.

### Money Transfer Products and Services

Money transfer products and services are sold primarily through three channels at agent locations, Company-owned stores and on internet enabled devices at [riamoneytransfer.com](http://riamoneytransfer.com), [imeremit.com](http://imeremit.com), [xe.com](http://xe.com) and [x-rates.com](http://x-rates.com) (online transactions).

In an online transaction, customers send funds, generally using a credit or debit card, for pay-out at most of our agent locations around the world or directly to a bank account.

Through our TeleRia service, customers connect to our call center from a telephone available at an agent location and a representative collects the information over the telephone and enters it directly into our secure proprietary system. As soon as the data capture is complete, our central system automatically faxes a confirmation receipt to the agent location for the customer to review and sign and the customer pays the agent the money to be transferred, together with a fee. The agent then faxes the signed receipt back to Ria to complete the transaction.

In April 2014, the Company and Wal-Mart Stores, Inc. launched a new money transfer service called Walmart-2-Walmart Money Transfer Service which allows customers to transfer money to and from Walmart stores in the U.S. Our Ria business executes the transfers with Walmart serving as both the sending agent and payout correspondent. Ria earns a lower margin from these transactions than its traditional money transfers; however, the arrangement has added a significant number of transactions to Ria's business. The agreement with Walmart establishes Ria as the only party through which Walmart will sell U.S. domestic money transfers branded with Walmart marks. The agreement has an initial term of three years from the launch date which will automatically renew for an initial two year term and subsequent one year terms unless either party provides notice to the contrary. The agreement imposes certain obligations on each party, the most significant being service level requirements by Ria and money transfer compliance requirements by Walmart. Any violation of these requirements by Ria could result in an obligation to indemnify Walmart or termination of the contract by Walmart. However, the agreement allows the parties to resolve disputes by mutual agreement without termination of the agreement.

In addition to money transfers, Ria also offers customers bill payment services, payment alternatives such as money orders, comprehensive check cashing services for a wide variety of issued checks, along with competitive foreign currency exchange services and mobile top-up. These services are all offered through our Company-owned stores while select services are offered through our agents in certain markets.

Ria money orders are widely recognized and exchanged throughout the United States. Our check cashing services cover payroll and personal checks, cashier checks, tax refund checks, government checks, insurance drafts and money orders. Our bill payment services offer timely posting of customer bills for over 3000 companies, including electric and gas utilities and telephone/wireless companies. Bill payment services are offered primarily in the U.S.

HiFX offers account-to-account international payment service to high-income individuals and small-to-medium sized businesses, complementing our existing consumer-to-consumer money transfer business. HiFX has an innovative multi-channel platform which allows customers to make transfers, track payments and manage their international payment activity online or through a customer service representative. HiFM offers cash management solutions and foreign currency risk management services to small-to-medium sized businesses.

XE offers foreign currency exchange subscriptions, advertising on its websites and money transfer services on its websites which are executed by a third party.

## Table of Contents

### Sources of Revenues

Revenues in the Money Transfer Segment are derived through the charging of a transaction fee, as well as a margin earned from purchasing foreign currency at wholesale exchange rates and selling the foreign currency to customers at retail exchange rates. Sending agents and receiving agents for consumer-to-consumer products each earn fees for cash collection and distribution services. Euronet recognizes these fees as direct operating costs at the time of sale.

We are one of the largest global money transfer companies in terms of revenues and transaction volumes. Our Money Transfer Segment processed approximately \$27.1 billion in money transfers in 2015.

### Money Transfer Segment Strategy

The Money Transfer Segment's strategy is to increase the volume of money transfers processed by leveraging our existing banking and merchant/retailer relationships to expand our agent and correspondent networks in existing corridors. In addition, we pursue expansion into high-potential money transfer corridors from the U.S. and internationally beyond the traditional U.S. to Mexico corridor. Further, we expect to continue to take advantage of cross-selling opportunities with our epay and EFT Processing Segments by providing prepaid services through our stores and agents, and offering our money transfer services at select prepaid retail locations and ATMs we operate in key markets. We will continue to make investments in our systems to support this growth. Additionally, we plan to expand our HiFX business into new markets.

### Seasonality

Our money transfer business is significantly impacted by seasonality that varies by region. In most of our markets, we experience increased money transfer transaction levels during the month of May and in the fourth quarter of each year, coinciding with various holidays. Additionally, in the U.S. to Mexico corridor, we usually experience our heaviest volume during the May through October timeframe, coinciding with the increase in worker migration patterns and various holidays, and our lowest volumes during the first quarter.

### Significant Customers and Government Contracts

No individual customer of our Money Transfer Segment makes up greater than 10% of total consolidated revenues. The Money Transfer Segment maintains correspondent relationships with a number of financial institutions whose ownership includes governments of the correspondents' countries of origin. Those countries include Armenia, Bangladesh, Benin, Brazil, Bosnia-Herzegovina, Bulgaria, Burundi, Cape Verde, China, Costa Rica, Cote d'Ivoire, Croatia, Ecuador, Egypt, Eritrea, Ethiopia, Ghana, Guatemala, Guyana, Hungary, Indonesia, Lithuania, Mali, Mexico, Mongolia, Pakistan, Philippines, Poland, Portugal, Romania, Senegal, Serbia, Slovenia, Togo, Tunisia, Uganda, Ukraine and Vietnam.

### Competition

Our primary competitors in the money transfer and bill payment business include other large money transfer companies and electronic money transmitters, as well as certain major national and regional banks, financial institutions and independent sales organizations. Our competitors include The Western Union Company and MoneyGram International Inc. The Western Union Company has a significant competitive advantage due to its greater resources and access to capital for expansion. This may allow them to offer better pricing terms to customers, agents or correspondents, which may result in a loss of our current or potential customers or could force us to lower our prices. In addition to traditional money payment services, new technologies are emerging that may effectively compete with traditional money payment services, such as stored-value cards, debit networks and web-based services



and digital currencies. Our continued growth also depends upon our ability to compete effectively with these alternative technologies.

#### Product Research, Development and Enhancement

In the EFT Processing Segment, development has historically focused on expanding the range of services offered to our bank customers from ATM and POS outsourcing to card processing and software services.

We are committed to the maintenance and improvement of our software products. We regularly engage in software product development and enhancement activities aimed at the development and delivery of new products, services and processes to our customers. Our research and development costs for software products to be sold, leased or otherwise marketed totaled \$7.8 million, \$8.7 million, and \$7.3 million in 2015, 2014 and 2013, respectively. Development costs that were capitalized totaled \$5.2 million, \$5.8 million and \$4.9 million in 2015, 2014 and 2013, respectively.

## Table of Contents

In our epay Segment, development has focused on expanding the types of electronic payment products and services available to consumers over our network to include, for example, prepaid vouchers, transport payments, lottery payments, gift and debit cards, and bill payment capabilities. This is intended to make our offerings more attractive to retailers.

In the Money Transfer Segment, development has focused on expanding our services to Internet enabled devices through our [www.riamoneytransfer.com](http://www.riamoneytransfer.com), [www.hifx.com](http://www.hifx.com), [www.hifx.co.uk](http://www.hifx.co.uk), [www.hifx.com.au](http://www.hifx.com.au), [www.imeremit.com](http://www.imeremit.com), [www.xe.com](http://www.xe.com) and [www.x-rates.com](http://www.x-rates.com) websites. This is intended to expand our customer base in existing and new corridors.

### Financial Information by Geographic Area

For information on results of operations, property and equipment, and total assets by geographic location, please see Note 16, Business Segment Information, to the Consolidated Financial Statements. Additionally, see Item 1A - Risk Factors, for risk factors related to foreign operations.

### Employees

We had approximately 5,600, 4,600 and 4,100 employees as of December 31, 2015, 2014, and 2013, respectively. We believe our future success will depend in part on our ability to continue to recruit, retain and motivate qualified management, technical and administrative employees. Currently, no union represents any of our employees, except in our Spanish subsidiary. We experienced no work stoppages or strikes by our workforce in 2015 and we consider relations with our employees to be good.

### Government Regulation

As discussed below, many of our business activities are subject to regulation in our current markets. In the Money Transfer Segment, we are subject to a wide variety of laws and regulations of the U.S., individual U.S. states and foreign governments. These include international, federal and state anti-money laundering laws and regulations, money transfer and payment instrument licensing laws, escheat laws, laws covering consumer privacy, data protection and information security and consumer disclosure and consumer protection laws. Our operations have also been subject to increasingly strict requirements intended to help prevent and detect a variety of illegal financial activity, including money laundering, terrorist financing, unauthorized access to personal customer data and other illegal activities. The more significant of these laws and regulations are discussed below. Noncompliance with these laws and requirements could result in the loss or suspension of licenses or registrations required to provide money transfer services through retail agents, Company owned stores or online. For more discussion, see Item 1A - Risk Factors.

Any further expansion of our activity into areas that are qualified as "financial activity" under local legislation may subject us to licensing and we may be required to comply with various conditions to obtain such licenses. Moreover, the interpretations of bank regulatory authorities as to the activity we currently conduct might change in the future. We monitor our business for compliance with applicable laws or regulations regarding financial activities.

Certain of our European product offerings, including in particular, our money transfer services, merchant acquiring and bill payment products are subject to the PSD as implemented in each European country. The PSD requires a license to perform certain defined "payment services" in a European country, which may be extended throughout the European Economic Area Member States ("Member States") through passporting. Conditions for obtaining the license include minimum capital requirements, establishment of procedures for safeguarding of funds, and certain governance and reporting requirements. In addition, certain obligations relating to internal controls and the conduct of business, in

particular, consumer disclosure requirements and certain rules regarding the timing and settlement of payments, must be met. We have payment institution licenses in the U.K., France, Germany, and Spain and are complying with these requirements. To date, we have passported our U.K. authorization to thirteen host member states operating under the PSD. Additionally, in the U.K., we have obtained an e-money license under the 2EMD. The e-money license allows Euronet to issue e-money and provide the same services as a PSD licensee. The e-money license imposes certain requirements similar to those of the payment services license, including minimum capital requirements, consumer disclosure and internal controls and can be passported to Member States. Our e-money license holder is currently operating in fifteen Member States.

#### Money Transfer and Payment Instrument Licensing

Licensing requirements in the U.S. are generally driven by the various state banking departments regulating the businesses of money transfers and issuances of payment instruments. Typical requirements include the meeting of minimum net worth requirements, maintaining permissible investments (e.g., cash, agent receivables, and government-backed securities) at levels

## Table of Contents

commensurate with outstanding payment obligations and the filing of a security instrument (typically in the form of a surety bond) to offset the risk of default of trustee obligations by the license holder. We are required by many state regulators to submit ongoing reports of licensed activity, most often on a quarterly or monthly basis, that address changes to agent and branch locations, operating and financial performance, permissible investments and outstanding transmission liabilities. These periodic reports are utilized by the regulator to monitor ongoing compliance with state licensing laws. A number of major state regulators also conduct periodic examinations of license holders and their authorized delegates, generally with a frequency of every one to two years. Examinations are most often comprehensive in nature, addressing both the safety and soundness and overall compliance by the license holder with regard to state and federal regulations. Such examinations are typically performed on-site at the license holder's headquarters or operations center; however, certain states may choose to perform examinations off-site as well.

Money transmitters, issuers of payment instruments and their agents are required to comply with U.S. federal, state and/or foreign anti-money laundering laws and regulations. In summary, our Money Transfer Segment, as well as our agent network, is subject to regulations issued by the different state and foreign national regulators who license us, the Office of Foreign Assets Control ("OFAC"), the Bank Secrecy Act as amended by the USA PATRIOT ACT ("BSA"), the Financial Crimes Enforcement Network ("FINCEN"), as well as any existing or future regulations that impact any aspect of our money transfer business.

A similar set of regulations applies to our money transfer businesses in most of the foreign countries in which we originate transactions. These laws and regulations include monetary limits for money transfers into or out of a country, rules regarding the foreign currency exchange rates offered, as well as other limitations or rules for which we must maintain compliance.

Regulatory bodies in the U.S. and abroad may impose additional rules on the conduct of our Money Transfer Segment that could have a significant impact on our operations and our agent network. In this regard, the U.S. federal government has implemented recent U.S. federal regulations for electronic money transfers. Prior to the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act on July 21, 2010 ("Dodd-Frank Act"), international money transfers were generally not addressed by existing federal consumer protection regulations. The Dodd-Frank Act expanded the scope of the Electronic Fund Transfer Act to provide consumer protections for international remittance transfers. On January 20, 2012, the Consumer Financial Protection Bureau ("CFPB"), established under the Dodd-Frank Act with authority to implement the consumer protective measures, adopted a rule that increased protections for consumers who transmit money internationally. The CFPB's Rule for International Remittances became effective October 28, 2013. Included among the protections are disclosure requirements, cancellation rights and error resolution procedures for consumer complaints. The CFPB audits our compliance with these rules, and we may be subject to fines or penalties for violations of any of such rules.

## Escheat Regulations

Our Money Transfer Segment is subject to the unclaimed or abandoned property (i.e., "escheat") regulations of the United States and certain foreign countries in which we operate. These laws require us to turn over property held by Euronet on behalf of others remaining unclaimed after specified periods of time (i.e., "dormancy" or "escheat" periods). Such abandoned property is generally attributable to the failure of beneficiary parties to claim money transfers or the failure to negotiate money orders, a form of payment instrument. We have policies and programs in place to help us monitor the required information relating to each money transfer or payment instrument for possible eventual reporting to the jurisdiction from which the order was originally received. In the U.S., reporting of unclaimed property by money service companies is performed annually, generally with a due date of on or before November 1. State banking department regulators will typically include a review of Euronet escheat procedures and related filings as part of their examination protocol.

Privacy and Information Security Regulations

Our Money Transfer Segment operations involve the collection and storage of certain types of personal customer data that are subject to privacy and security laws in the U.S. and abroad. In the United States, we are subject to the Gramm-Leach-Bliley Act (“GLBA”), which requires that financial institutions have in place policies regarding the collection, processing, storage and disclosure of information considered nonpublic personal information. Laws in other countries include those adopted by the member states of the European Union under Directive 95/46 EC of the European Parliament and of the Council of 24 October 1995 (the “Directive”), as well as the laws of other countries. The Directive prohibits the transfer of personal data to non-European Union member nations that do not provide adequate protection for personal data. In some cases, the privacy laws of an EU member state may be more restrictive than the Directive and may impose additional requirements that we must comply with to operate in the respective country. Generally, these laws restrict the collection, processing, storage, use and disclosure of personal information and require that we safeguard personal customer data to prevent unauthorized access.

## Table of Contents

We comply with the GLBA and state privacy provisions. In addition, we comply with the Directive using the safe harbor permitted by the Directive by filing with the U.S. Department of Commerce, publicly declaring our privacy policy for information collected outside of the U.S., posting our privacy policy on our Website and requiring our agents in the European Union to notify customers of the privacy policy.

Recently, as identity theft has been on the rise, there has been increased public attention to concerns about information security and consumer privacy, accompanied by laws and regulations addressing the issue. We believe we are compliant with these laws and regulations; however, this is a rapidly evolving area and there can be no assurance that we will continue to meet the existing and new regulations, which could have a material, adverse impact on our Money Transfer Segment business.

### Anti-corruption and Bribery

We are subject to the Foreign Corrupt Practices Act ("FCPA"), which prohibits U.S. and other business entities from making improper payments to foreign government officials, political parties or political party officials. We are also subject to the applicable anti-corruption laws in the jurisdictions in which we operate, such as the U.K. Bribery Act, thus potentially exposing us to liability and potential penalties in multiple jurisdictions. The anti-corruption provisions of the FCPA are enforced by the United States Department of Justice. In addition, the Securities and Exchange Commission requires strict compliance with certain accounting and internal control standards set forth under the FCPA. Because our services are offered in many countries throughout the world, we face a higher risk associated with FCPA, the U.K. Bribery Act and other similar laws than many other companies and we have policies and procedures in place to address compliance with the FCPA, the U.K. Bribery Act and other similar laws. Any determination that we have violated these laws could have an adverse effect on our business, financial position and results of operations. Failure to comply with our policies and procedures and the FCPA and other laws can expose Euronet and/or individual employees to potentially severe criminal and civil penalties. Such penalties could have a material adverse effect on our business, financial condition and results of operations.

### Money Transfer Compliance Policies and Programs

We have developed risk-based policies and programs to comply with existing and new laws, regulations and other requirements outlined above, including having dedicated compliance personnel, training programs, automated monitoring systems and support functions for our offices and agents. To assist in managing and monitoring our money laundering and terrorist financing risks, we continue to have our compliance programs, in many countries, independently examined on an annual basis. In addition, we continue to enhance our anti-money laundering and counter-terrorist financing compliance policy, procedures and monitoring systems.

### Intellectual Property

Each of our three operating segments utilizes intellectual property which is protected in varying degrees by a combination of trademark, patent and copyright laws, as well as trade secret protection, license and confidentiality agreements.

The brand names of "Ria," "Ria Financial Services," "Ria Envia," "HiFX," "HiFM," "XE," derivations of those brand names and certain other brand names are material to our Money Transfer Segment and are registered trademarks and/or service marks in most of the markets in which our Money Transfer Segment operates. Consumer perception of these brand names is important to the growth prospects of our money transfer business. We also hold a U.S. patent on a card-based money transfer and bill payment system that allows transactions to be initiated primarily through POS terminals and integrated cash register systems.

With respect to our EFT Processing Segment, we have registered or applied for registration of our trademarks, including the names “Euronet” and “Bankomat” and/or our blue diamond logo, as well as other trade names in most markets in which these trademarks are used. Certain trademark authorities have notified us that they consider these trademarks to be generic and, therefore, not protected by trademark laws. This determination does not affect our ability to use the Euronet trademark in those markets, but it would prevent us from stopping other parties from using it in competition with Euronet. We have registered the “Euronet” trademark in the class of ATM machines in Germany, the U.K. and certain other Western European countries. We have filed pending applications and/or obtained patents for a number of our new software products and our processing technology, including certain top-up services.

With respect to our epay Segment, we have filed trademark applications for the “epay” brand in the U.S., U.K., the European Union (“E.U.”) through a Community Trademark application, Brazil, India, Australia and New Zealand. The epay trademark has issued to registration in the U.S., U.K., the E.U., Australia and New Zealand. The trademark applications in the other jurisdictions are still pending. We cannot be certain that we are entitled to use the epay trademark in any markets other than those in which we have registered the trademark. We have filed patent applications for some of our POS top-up and certain

Table of Contents

other products in support of epay technology. Certain patents have been granted while others have been refused or are still pending. We also hold a patent license covering certain of epay's operations in the U.S.

Technology in the areas in which we operate is developing very rapidly, and we are aware that many other companies have filed patent applications for products, processes and services similar to those we provide. The procedures of the U.S. patent office make it impossible for us to predict whether our patent applications will be approved or will be granted priority dates that are earlier than other patents that have been filed for similar products or services. Moreover, many "process patents" have been filed in the U.S. over recent years covering processes that are in wide use in the money transfer, EFT and prepaid processing industries. If any of these patents are considered to cover technology that has been incorporated into our systems, we may be required to obtain additional licenses and pay royalties to the holders of such patents to continue to use the affected technology or be prohibited from continuing the offering of such services if licenses are not obtained. This could materially and adversely affect our business.

## Executive Officers of the Registrant

The name, age, period of service and position held by each of our Executive Officers as of February 26, 2016 are as follows:

Name	Age	Served Since	Position Held
Michael J. Brown	59	July 1994	Chairman, Chief Executive Officer and President
Rick L. Weller	58	November 2002	Executive Vice President - Chief Financial Officer
Jeffrey B. Newman	61	December 1996	Executive Vice President - General Counsel
Kevin J. Caponecchi	49	July 2007	Executive Vice President - Chief Executive Officer, epay, Software and EFT Asia Pacific Division
Juan C. Bianchi	45	April 2007	Executive Vice President - Chief Executive Officer, Money Transfer Segment
Nikos Fountas	52	September 2009	Executive Vice President - Chief Executive Officer, EFT Europe, Middle East and Africa Division
Martin L. Bruckner	40	January 2014	Senior Vice President - Chief Technology Officer

**MICHAEL J. BROWN**, Chairman, Chief Executive Officer and President. Mr. Brown is one of the founders of Euronet and has served as our Chairman of the Board and Chief Executive Officer since 1996, and has served as President since December 2014. He also co-founded our predecessor company in 1994. Mr. Brown has been a Director of Euronet since our incorporation in December 1996 and previously served on the boards of Euronet's predecessor companies. In 1979, Mr. Brown founded Innovative Software, Inc., a computer software company that was merged in 1988 with Informix. Mr. Brown served as President and Chief Operating Officer of Informix from February 1988 to January 1989. He served as President of the Workstation Products Division of Informix from January 1989 until April 1990. In 1993, Mr. Brown was a founding investor of Visual Tools, Inc. Visual Tools, Inc. was acquired by Sybase Software in 1996. Mr. Brown received a B.S. in Electrical Engineering from the University of Missouri - Columbia in 1979 and a M.S. in Molecular and Cellular Biology at the University of Missouri - Kansas City in 1997.

**RICK L. WELLER**, Executive Vice President, Chief Financial Officer. Mr. Weller has been Executive Vice President and Chief Financial Officer of Euronet since he joined Euronet in November 2002. From January 2002 to October 2002, he was the sole proprietor of Pivotal Associates, a business development firm. From November 1999 to December 2001, Mr. Weller held the position of Chief Operating Officer of ionex telecommunications, inc., a local exchange company. He is a certified public accountant and received his B.S. in Accounting from the University of Central Missouri.



JEFFREY B. NEWMAN, Executive Vice President, General Counsel. Mr. Newman has been Executive Vice President and General Counsel of Euronet since January 2000. He joined Euronet in December 1996 as Vice President and General Counsel. Prior to this, he practiced law with the Washington, D.C. based law firm of Arent Fox Kintner Plotkin & Kahn and the Paris based law firm of Salans Hertzfeld & Heilbronn. He is a member of the District of Columbia, California and Paris, France bars. He received a B.A. in Political Science and French from Ohio University in 1976 and law degrees from Ohio State University and the University of Paris.

Table of Contents

KEVIN J. CAPONECCHI, Executive Vice President, Chief Executive Officer, epay, Software and EFT Asia Pacific Division. Mr. Caponecchi joined Euronet in July 2007 and served as President until assuming his current role in December 2014. Prior to joining Euronet, Mr. Caponecchi served in various capacities with subsidiaries of General Electric Company for 17 years. From 2003 until June 2007, Mr. Caponecchi served as President of GE Global Signaling, a provider of products and services to freight, passenger and mass transit systems. From 1998 through 2002, Mr. Caponecchi served as General Manager - Technology for GE Consumer & Industrial, a provider of consumer appliances, lighting products and electrical products. Mr. Caponecchi holds degrees in physics from Franklin and Marshall College and industrial engineering from Columbia University.

JUAN C. BIANCHI, Executive Vice President - Chief Executive Officer, Money Transfer Segment. Mr. Bianchi joined Euronet subsequent to the acquisition of Ria in 2007. Prior to the acquisition, Mr. Bianchi served as the Chief Executive Officer of Ria and has spent his entire career at either Ria or AFEX Money Express, a money transfer company purchased by Ria's founders. Mr. Bianchi began his career at AFEX in Chile in 1992, joined AFEX USA's operations in 1996, and became chief operating officer of AFEX-Ria in 2003. Mr. Bianchi studied business at the Universidad Andres Bello in Chile and completed the Executive Program in Management at UCLA's John E. Anderson School of Business.

NIKOS FOUNTAS, Executive Vice President - Chief Executive Officer, EFT Europe, Middle East and Africa Division. Mr. Fountas has been Executive Vice President of the Company's EFT Processing Segment in Europe since December 2012. Mr. Fountas joined Euronet subsequent to the Company's 2005 acquisition of Instreamline S.A. (now Euronet Card Services) in Greece. He served as managing director of the Company's Greece EFT subsidiary, responsible for Euronet's European card processing and cross-border acquiring operations until September 2009. In September 2009, Mr. Fountas took over responsibilities as managing director of Euronet's Europe EFT Processing Segment. Prior to joining Euronet, Mr. Fountas spent over 20 years working in management and executive-level positions in the IT field for several companies, including IBM for 12 years. He has a degree in computer science (Honors) from York University in Canada and post graduate studies in business administration from Henley Management School and IBM Business Professional Institute.

MARTIN L. BRUCKNER, Senior Vice President - Chief Technology Officer. Mr. Bruckner has been Senior Vice President and Chief Technology Officer of Euronet since January 2014. Mr. Bruckner joined Euronet in 2007 as head of software development and IT operations for Transact GmbH. In 2009, he was promoted to Chief Technology Officer of Euronet's epay segment. Prior to joining Euronet, Mr. Bruckner established his own IT company called MLB Development GmbH, where he developed software systems for various European companies. Mr. Bruckner has more than 20 years of software development experience and published his first software product (BBS systems) at the age of 15. He received a Doctorate of Law from the University of Rostock and a law degree from the University of Bielefeld.

Availability of Reports, Certain Committee Charters and Other Information

Our Website addresses are [www.euronetworldwide.com](http://www.euronetworldwide.com) and [www.eeft.com](http://www.eeft.com). We make available all Securities and Exchange Commission ("SEC") public filings, including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended ("Exchange Act") on our Websites free of charge as soon as reasonably practicable after these documents are electronically filed with, or furnished to, the SEC. The information on our Websites is not, and shall not be deemed to be, a part of this report or incorporated into any other filings we make with the SEC. In addition, our SEC filings are made available via the SEC's EDGAR filing system accessible at [www.sec.gov](http://www.sec.gov).

The charters for our Audit, Compensation, and Corporate Governance and Nominating Committees, as well as the Code of Business Conduct & Ethics for our employees, including our Chief Executive Officer and Chief Financial Officer, are available on our Website at [www.euronetworldwide.com](http://www.euronetworldwide.com) in the “Investor Relations” section.

## Table of Contents

### Item 1A. Risk Factors

Our operations are subject to a number of risks and uncertainties, including those described below. You should carefully consider the risks described below before making an investment decision. The risks and uncertainties described below are not necessarily organized in order of priority or probability.

If any of the following risks actually occurs, our business, financial condition or results of operations could be materially adversely affected. In that case, the trading price of our Common Stock could decline substantially.

This Annual Report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of a number of factors, including the risks described below and elsewhere in this Annual Report.

Our business may suffer from risks related to acquisitions and potential future acquisitions.

A substantial portion of our growth has been due to acquisitions, and we continue to evaluate and engage in discussions concerning potential acquisition opportunities, some of which could be material. We cannot assure you that we will be able to successfully integrate, or otherwise realize anticipated benefits from, our recent acquisitions or any future acquisitions. Failure to successfully integrate or otherwise realize the anticipated benefits of these acquisitions could adversely impact our long-term competitiveness and profitability. The integration of any future acquisitions will involve a number of risks that could harm our financial condition, results of operations and competitive position. In particular:

The integration plans for our acquisitions are based on benefits that involve assumptions as to future events, including our ability to successfully achieve anticipated synergies, leveraging our existing relationships, as well as general business and industry conditions, many of which are beyond our control and may not materialize. Unforeseen factors may offset components of our integration plans in whole or in part. As a result, our actual results may vary considerably, or be considerably delayed, compared to our estimates;

The integration process could disrupt the activities of the businesses that are being combined. The combination of companies requires, among other things, coordination of administrative and other functions. In addition, the loss of key employees, customers or vendors of acquired businesses could materially and adversely impact the integration of the acquired businesses;

• The execution of our integration plans may divert the attention of our management from other key responsibilities;

• We may assume unanticipated liabilities and contingencies; or

• Our acquisition targets could fail to perform in accordance with our expectations at the time of purchase.

Future acquisitions may be affected through the issuance of our Common Stock or securities convertible into our Common Stock, which could substantially dilute the ownership percentage of our current stockholders. In addition, shares issued in connection with future acquisitions could be publicly tradable, which could result in a material decrease in the market price of our Common Stock.

A lack of business opportunities or financial or other resources may impede our ability to continue to expand at desired levels, and our failure to expand operations could have an adverse impact on our financial condition.

Certain factors on which our ability to expand each of our divisions is dependent are set forth at Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations - Opportunities and Challenges. If any of such factors impede our ability to expand our businesses, our financial results and condition could be materially and adversely affected.

We are subject to business cycles, seasonality and other outside factors that may negatively affect our business.

A recessionary economic environment in any of our markets or other outside factors could have a negative impact on banks, mobile phone operators, content providers, retailers and our individual customers and could reduce the level of transactions in all of our divisions, which would, in turn, negatively impact our financial results. If banks, mobile phone operators and content providers experience decreased demand for their products and services, or if the locations where we provide services decrease

## Table of Contents

in number, we will process fewer transactions, resulting in lower revenues. In addition, a recessionary economic environment could reduce the level of transactions taking place on our networks, which will have a negative impact on our business.

Our experience is that the level of transactions on our networks is also subject to substantial seasonal variation. In the EFT Processing Segment, mostly in Europe, we usually experience our heaviest demand for dynamic currency conversion during the third quarter of the fiscal year, coinciding with the tourism season. As a result, our revenues earned in the third quarter of the year will usually be greater than other quarters of the fiscal year. Additionally, transaction levels have consistently been higher in the fourth quarter of the fiscal year due to increased use of ATMs, prepaid products and money transfer services during the holiday season. Generally, the level of transactions drops in the first quarter, during which transaction levels are generally the lowest we experience during the year, which reduces the level of revenues that we record. In the Money Transfer Segment, we experience increased transaction levels during the May through October timeframe, coinciding with certain holidays and the increase in worker migration patterns. As a result of these seasonal variations, our quarterly operating results may fluctuate materially and could lead to volatility in the price of our shares.

Additionally, economic or political instability, civil unrest, terrorism and natural disasters may make money transfers to, from or within a particular country more difficult. The inability to timely complete money transfers could adversely affect our business.

A prolonged economic slowdown or lengthy or severe recession in the U.S. or elsewhere could harm our operations.

Concerns over slow economic growth, level of sovereign debt in many parts of the world, inflation levels, energy costs and geopolitical issues have contributed to increased volatility and diminished expectations for the world economy and the markets going forward. These factors, combined with volatile oil prices, reduced business and consumer confidence and continued high unemployment, have negatively impacted the world economy. A prolonged economic downturn or recession could materially impact our results from operations. A recessionary economic environment could have a negative impact on mobile phone operators, content providers, retailers and our other customers and could reduce the level of transactions processed on our networks, which would, in turn, negatively impact our financial results. If mobile phone operators and financial institutions experience decreased demand for their products and services, or if the locations where we provide services decrease in number, we will process fewer transactions, resulting in lower revenues.

Retaining the founder and key executives of our company, and of companies that we acquire, and finding and retaining qualified personnel is important to our continued success, and any inability to attract and retain such personnel could harm our operations.

The development and implementation of our strategy has depended in large part on the co-founder of our company, Michael J. Brown. The retention of Mr. Brown is important to our continued success. In addition, the success of the expansion of businesses that we acquire may depend in large part upon the retention of the founders of those businesses. Our success also depends in part on our ability to hire and retain highly skilled and qualified management, operating, marketing, financial and technical personnel. The competition for qualified personnel in the markets where we conduct our business is intense and, accordingly, we cannot assure you that we will be able to continue to hire or retain the required personnel.

Our officers and some of our key personnel have entered into service or employment agreements containing non-competition, non-disclosure and non-solicitation covenants, which grant incentive stock options and/or restricted stock with long-term vesting requirements. However, most of these contracts do not guarantee that these individuals will continue their employment with us. The loss of our key personnel could have a material adverse effect on our

business, growth, financial condition or results of operations.

We have a substantial amount of debt and other contractual commitments, and the cost of servicing those obligations could adversely affect our business, and such risk could increase if we incur more debt. We may be required to prepay our obligations under the secured syndicated credit facility.

We have a substantial amount of indebtedness. As of December 31, 2015, total liabilities were \$1,366.8 million, of which \$405.5 million represents long-term debt obligations, and total assets were \$2,192.7 million. We may not have sufficient funds to satisfy all such obligations as a result of a variety of factors, some of which may be beyond our control. If the opportunity of a strategic acquisition arises or if we enter into new contracts that require the installation or servicing of infrastructure, such as processing centers, ATM machines or POS terminals on a faster pace than anticipated, we may be required to incur additional debt for these purposes and to fund our working capital needs, including ATM network cash, which we may not be able to obtain. The level of our indebtedness could have important consequences to investors, including the following:

## Table of Contents

our ability to obtain any necessary financing in the future for working capital, capital expenditures, debt service requirements or other purposes may be limited or financing may be unavailable;

a portion of our cash flows must be dedicated to the payment of principal and interest on our indebtedness and other obligations and will not be available for use in our business;

our level of indebtedness could limit our flexibility in planning for, or reacting to, changes in our business and the markets in which we operate;

- our level of indebtedness will make us more vulnerable to changes in general economic conditions and/or a downturn in our business, thereby making it more difficult for us to satisfy our obligations; and

because a portion of our debt bears interest at a variable rate of interest, our actual debt service obligations could increase as a result of adverse changes in interest rates.

If we fail to make required debt payments, or if we fail to comply with other covenants in our debt service agreements, we would be in default under the terms of these agreements. This default would permit the holders of the indebtedness to accelerate repayment of this debt and could cause defaults under other indebtedness that we have.

Restrictive covenants in our credit facilities may adversely affect us. Our credit facility contains two financial covenants that we must meet as defined in the agreement: (1) Consolidated Total Leverage Ratio, and (2) Consolidated Fixed Charge Coverage Ratio. To remain in compliance with our debt covenants, we may be required to increase EBITDA, repay debt, or both. We cannot assure you that we will have sufficient assets, liquidity or EBITDA to meet or avoid these obligations, which could have an adverse impact on our financial condition.

Our ability to secure additional financing for growth or to refinance any of our existing debt is also dependent upon the availability of credit in the marketplace, which has experienced severe disruptions in the past. If we are unable to secure additional financing or such financing is not available at acceptable terms, we may be unable to secure financing for growth or refinance our debt obligations, if necessary.

In the event that we need debt financing in the future, uncertainty in the credit markets could affect our ability to obtain debt financing on reasonable terms.

In the event we were to require additional debt financing in the future, uncertainty in the credit markets could materially impact our ability to obtain debt financing on reasonable terms. The inability to access debt financing on reasonable terms could materially impact our ability to make acquisitions, refinance existing debt or materially expand our business in the future.

Increases in interest rates will adversely impact our results of operations.

A portion of our existing indebtedness has variable interest rates. Increases in variable interest rates will increase the amount of interest expense that we pay for our borrowings and have a negative impact on our results of operations.

We may be required to recognize impairment charges related to long-lived assets and goodwill recorded in connection with our acquisitions, which would adversely impact our results of operations.

Our total assets include approximately \$853.2 million, or 39% of total assets, in goodwill and acquired intangible assets recorded as a result of acquisitions. We assess our goodwill, intangible assets and other long-lived assets as and when required by accounting principles generally accepted in the U.S. to determine whether they are impaired. In



2013, we determined that certain goodwill assets of our epay businesses in Australia and Spain were impaired and we recorded \$18.4 million of non-cash impairment charges. If operating results in any of our key markets, including Australia, Germany, Greece, Malaysia, New Zealand, the U.S., the U.K., Poland and Romania, deteriorate or our plans do not progress as expected when we acquired these entities, or if capital markets depress our value or that of similar companies, we may be required to record additional impairment write-downs of goodwill, intangible assets or other long-lived assets. This could have a material adverse effect on our results of operations and financial condition.

## Table of Contents

The processes and systems we employ may be subject to patent protection by other parties, and any claims could adversely affect our business and results of operations.

In certain countries, including the U.S., patent protection legislation permits the protection of processes and systems. We employ processes and systems in various markets that have been used in the industry by other parties for many years, and which we or other companies that use the same or similar processes and systems consider to be in the public domain. However, we are aware that certain parties believe they hold valid patents that cover some of the processes and systems employed in our business lines in the U.S. and elsewhere. We believe the processes and systems we use have been in the public domain prior to the patents we are aware of. The question of whether a process or system is in the public domain is a legal determination, and if this issue is litigated we cannot be certain of the outcome of any such litigation. If a person were to assert that it holds a patent covering any of the processes or systems we use, we would be required to defend ourselves against such claim. If unsuccessful, we may be required to pay damages for past infringement, which could be trebled if the infringement was found to be willful. We may also be required to seek a license to continue to use the processes or systems. Such a license may require either a single payment or an ongoing license fee. No assurance can be given that we will be able to obtain a license which is reasonable in fee and scope. If a patent owner is unwilling to grant such a license, or we decide not to obtain such a license, we may be required to modify our processes and systems to avoid future infringement. Any such occurrences could materially and adversely affect our prepaid processing business in any affected markets and could result in our reconsidering the rate of expansion of this business in those markets.

We conduct a significant portion of our business in Central and Eastern European countries, and we have subsidiaries in the Middle East, Asia Pacific and South America, where the risk of continued political, economic and regulatory change that could impact our operating results is greater than in the U.S. or Western Europe.

We have subsidiaries in Central and Eastern Europe, the Middle East, Asia Pacific and South America. We expect to continue to expand our operations to other countries in these regions. Some of these countries have undergone significant political, economic and social change in recent years and the risk of new, unforeseen changes in these countries remains greater than in the U.S. or Western Europe. In particular, changes in laws or regulations or in the interpretation of existing laws or regulations, whether caused by a change in government or otherwise, could materially adversely affect our business, growth, financial condition or results of operations.

For example, currently there are no limitations in any of the countries in which we have subsidiaries on the repatriation of profits from these countries, but foreign currency exchange control restrictions, taxes or limitations may be imposed or tightened in the future with regard to repatriation of earnings and investments from these countries. If exchange control restrictions, taxes or limitations are imposed, our ability to receive dividends or other payments from affected subsidiaries could be reduced, which may have a material adverse effect on us. As discussed under "Liquidity and Capital Resources" in Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations, under existing U.S. tax laws, repatriation of certain assets to the U.S. could have adverse tax consequences.

In addition, corporate, contract, property, insolvency, competition, securities and other laws and regulations in many of the countries in which we operate have been, and continue to be, substantially revised. Therefore, the interpretation and procedural safeguards of the new legal and regulatory systems are in the process of being developed and defined, and existing laws and regulations may be applied inconsistently. Also, in some circumstances, it may not be possible to obtain the legal remedies provided for under these laws and regulations in a reasonably timely manner, if at all.

We conduct business in many international markets with complex and evolving tax rules, including value added tax rules, which subjects us to international tax compliance risks which could adversely affect our operating results.

While we obtain advice from legal and tax advisors as necessary to help assure compliance with tax and regulatory matters, most tax jurisdictions that we operate in have complex and subjective rules regarding the valuation of intercompany services, cross-border payments between affiliated companies and the related effects on income tax, value added tax (“VAT”), transfer tax and share registration tax. Our foreign subsidiaries frequently undergo VAT reviews, and from time to time undergo comprehensive tax reviews and may be required to make additional tax payments should the review result in different interpretations, allocations or valuations of our services.

## Table of Contents

Increases in taxes could negatively impact our operating results.

As a result of economic downturns, tax receipts have decreased and/or government spending has increased in many of the countries in which we operate. Consequently, governments may increase tax rates or implement new taxes in order to compensate for gaps between tax revenues and expenditures. Additionally, governments may prohibit or restrict the use of certain legal structures designed to minimize taxes. Any such tax increases, whether borne by us or our customers, could negatively impact our operating results or the demand for our products.

We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act or other similar anti-corruption laws.

Our operations in countries outside the United States are subject to anti-corruption laws and regulations, including restrictions imposed by the FCPA. The FCPA and similar anti-corruption laws in other jurisdictions, such as the U.K. Bribery Act, generally prohibit companies and their intermediaries from making improper payments to government officials or employees of commercial enterprises for the purpose of obtaining or retaining business. We operate in many parts of the world that have experienced corruption to some degree and, in certain circumstances, strict compliance with anti-corruption laws may conflict with local customs and practices.

Our employees and agents interact with government officials on our behalf, including as necessary to obtain licenses and other regulatory approvals necessary to operate our business, import or export equipment and resolve tax disputes. These interactions create a risk of violation of the FCPA or other similar laws.

Although we have implemented policies and procedures designed to ensure compliance with local laws and regulations as well as U.S. laws and regulations, including the FCPA, there can be no assurance that all of our employees, consultants, contractors and agents will abide by our policies. If we are found to be liable for violations of the FCPA or similar anti-corruption laws in other jurisdictions, either due to our own or others' acts or inadvertence, we could suffer from criminal or civil penalties which could have a material and adverse effect on our results of operations, financial condition and cash flows.

Because we are a multinational company conducting a complex business in many markets worldwide, we are subject to legal and operational risks related to staffing and management, as well as a broad array of local legal and regulatory requirements which could adversely affect our operations.

Operating outside of the U.S. creates difficulties associated with staffing and managing our international operations, as well as complying with local legal and regulatory requirements. We operate financial transaction processing networks that offer new products and services to customers, and the laws and regulations in the markets in which we operate evolve and are subject to rapid change. Although we have knowledgeable local staff in countries in which we deem it appropriate, we cannot assure you that we will continue to be found to be operating in compliance with all applicable customs, currency exchange control regulations, data protection, transfer pricing regulations or any other laws or regulations to which we may be subject. We also cannot assure you that these laws will not be modified in ways that may adversely affect our business.

Our business may be adversely affected if recent developments to applicable data protection regulations in the European Union require us to cease the transfer of personal data from the European Union to the United States.

In October 2015, the European Court of Justice invalidated the European Commission's decision of 2000 regarding the transfer of personal data from the EU to the United States (known as the Safe Harbor Decision). Prior to the ruling of the European Court of Justice, the Safe Harbor Decision provided a mechanism that facilitated personal data transfers to the United States in compliance with the EU's Directive on Data Protection. Our money transfer business relies on the transfer of EU citizens' personal information to the United States to enable payment of money remittance transactions to beneficiaries through our correspondent network. Despite the October 2015 ruling of the European Court of Justice, we believe we remain in compliance with EU regulations regarding the transfer of personal data to the United States. Until a new agreement between the EU and the United States is completed, there is significant

regulatory uncertainty surrounding data transfers from the EU to the United States. If we are unable to transfer personal data from the EU to the United States or other countries where we operate, then it could affect the manner in which we provide our services or adversely affect our financial results.

## Table of Contents

Because we derive our revenues from a multitude of countries with different currencies, our business may be adversely affected by local inflation and foreign currency exchange rates and policies.

We report our results in U.S. dollars, although a majority of our income is realized in foreign currencies. As exchange rates among the U.S. dollar, the euro, and other currencies fluctuate, the impact of these fluctuations may have a material adverse effect on our results of operations or financial condition as reported in U.S. dollars.

During 2015, Greece experienced a sovereign debt crisis which led to speculation about the possibility of Greece leaving the Eurozone and adopting another currency. Developments in the latter part of 2015 currently keep Greece as a member of the European Union and the Eurozone. The Company has considered the impact on its business in Greece should Greece adopt another currency. While there is a general risk of reporting net asset values and operating results in an adopted currency which may translate to U.S. dollars at different rates than the euro, we recognize there is a more specific economic risk associated with cash balances in Greece. We hold cash in Greece in banks as well as in our ATM network. A conversion of those cash amounts from euros to another currency could have an adverse effect on our financial condition or results of operations, either from initial conversion or from subsequent changes in currency exchange rates. The magnitude of this risk increases when cash balances in our ATM network increase during the tourism season. While such a currency change does not appear to be an immediate risk under current circumstances, the Company continues to monitor developments in this area and will attempt to mitigate any adverse effects where possible.

Our Money Transfer Segment is subject to foreign currency exchange risks because our customers deposit funds in one currency at our retail and agent locations worldwide or in an online account and we typically deliver funds denominated in a different, destination country currency. Although we use foreign currency derivative contracts to mitigate a portion of this risk, we cannot eliminate all of the exposure to the impact of changes in foreign currency exchange rates for the period between collection and disbursement of the money transfers.

We have various mechanisms in place to discourage takeover attempts, which may reduce or eliminate our stockholders' ability to sell their shares for a premium in a change of control transaction.

Various provisions of our certificate of incorporation and bylaws and of Delaware corporate law may discourage, delay or prevent a change in control or takeover attempt of our company by a third party to which our management and board of directors opposes. Public stockholders who might desire to participate in such a transaction may not have the opportunity to do so. These anti-takeover provisions could substantially impede the ability of public stockholders to benefit from a change of control or change in our management and board of directors. These provisions include:

- preferred stock that could be issued by our board of directors to make it more difficult for a third party to acquire, or to discourage a third party from acquiring, a majority of our outstanding voting stock;
- classification of our directors into three classes with respect to the time for which they hold office;
- supermajority voting requirements to amend the provision in our certificate of incorporation providing for the classification of our directors into three such classes;
- non-cumulative voting for directors;
- control by our board of directors of the size of our board of directors;
- limitations on the ability of stockholders to call special meetings of stockholders; and
- advance notice requirements for nominations of candidates for election to our board of directors or for proposing matters that can be acted upon by our stockholders at stockholder meetings.

On May 30, 2013, our stockholders ratified a three-year stockholders' rights agreement (the "Rights Agreement") entered into on March 26, 2013, between Euronet and Computershare Trust Company, N.A. as rights agent. The Rights Agreement expires on April 3, 2016. Pursuant to the Rights Agreement, holders of our Common Stock are entitled to purchase one one-hundredth (1/100) of a share (a "Unit") of Junior Preferred Stock at a price of \$125.00 per

Unit upon certain events (the "Right"). The purchase price is subject to appropriate adjustment for stock splits and other similar events. Generally, in the event a person or entity acquires, or initiates a tender offer to acquire, at least 20% of Euronet's then-outstanding Common Stock, the Rights will become exercisable for Common Stock having a value equal to two times the exercise price of the Right, or effectively at one-half of Euronet's then-current stock price. The existence of the Rights may discourage, delay or prevent a change of control or takeover attempt of our company by a third party that is opposed by our management and board of directors.

## Table of Contents

We are authorized to issue up to a total of 90 million shares of Common Stock, potentially diluting equity ownership of current holders and the share price of our Common Stock.

We believe that it is necessary to maintain a sufficient number of available authorized shares of our Common Stock in order to provide us with the flexibility to issue Common Stock for business purposes that may arise as deemed advisable by our Board. These purposes could include, among other things, (i) to declare future stock dividends or stock splits, which may increase the liquidity of our shares; (ii) the sale of stock to obtain additional capital or to acquire other companies or businesses, which could enhance our growth strategy or allow us to reduce debt if needed; (iii) use in additional stock incentive programs and (iv) other bona fide purposes. Our Board of Directors may issue the available authorized shares of Common Stock without notice to, or further action by, our stockholders, unless stockholder approval is required by law or the rules of the NASDAQ Global Select Market. The issuance of additional shares of Common Stock may significantly dilute the equity ownership of the current holders of our Common Stock. Further, over the course of time, all of the issued shares have the potential to be publicly traded, perhaps in large blocks. This may result in dilution of the market price of the Common Stock.

An additional 14.5 million shares of Common Stock, representing approximately 27% of the shares outstanding as of December 31, 2015, could be added to our total Common Stock outstanding through the exercise of options or the issuance of additional shares of our Common Stock pursuant to existing convertible debt and other agreements. Once issued, these shares of Common Stock could be traded into the market and result in a decrease in the market price of our Common Stock.

As of December 31, 2015, we had 3.2 million and 0.6 million options and restricted stock awards outstanding, respectively, held by our directors, officers and employees, which entitle these holders to acquire an equal number of shares of our Common Stock. Of this amount, 1.9 million options are vested and exercisable as of December 31, 2015. Approximately 5.1 million additional shares of our Common Stock may be issued in connection with our stock incentive and employee stock purchase plans.

Accordingly, based on current trading prices of our Common Stock, approximately 2.5 million shares could potentially be added to our total current Common Stock outstanding through the exercise of options and the vesting of restricted stock awards, which could adversely impact the trading price for our stock.

Of the 3.8 million total options and restricted stock awards outstanding, an aggregate of 2.4 million options and restricted stock awards are held by persons who may be deemed to be our affiliates and who would be subject to Rule 144. Thus, upon exercise of their options or sale of shares for which restrictions have lapsed, these affiliates' shares would be subject to the trading restrictions imposed by Rule 144. The remainder of the common shares issuable under option and restricted stock award arrangements would be freely tradable in the public market. Over the course of time, all of the issued shares have the potential to be publicly traded, perhaps in large blocks.

Upon the occurrence of certain events, another 5.6 million shares of Common Stock could be issued upon conversion of the Company's convertible notes issued in October 2014; in certain situations, the number of shares issuable could be higher. While we have stated that we intend to settle any conversion of these notes by issuing cash for the principal value of the notes and issuing shares of Common Stock for the conversion value in excess of the principal, which would significantly reduce the number of shares issued upon conversion, if our financial condition significantly and adversely changes, we may not be able to settle as intended should the notes be converted.

Our competition in the EFT Processing Segment, epay Segment and Money Transfer Segment includes large, well-financed companies and financial institutions larger than us with earlier entry into the market. As a result, we



may lack the financial resources and access to capital needed to capture increased market share.

EFT Processing Segment - Our principal EFT Processing competitors include ATM networks owned by banks and national switches consisting of consortiums of local banks that provide outsourcing and transaction services only to banks and independent ATM deployers in that country. Large, well-financed companies offer ATM network and outsourcing services that compete with us in various markets. In some cases, these companies also sell a broader range of card and processing services than we do, and are, in some cases, willing to discount ATM services to obtain large contracts covering a broad range of services. Competitive factors in our EFT Processing Segment include network availability and response time, breadth of service offering, price to both the bank and to its customers, ATM location and access to other networks.

epay Segment - We face competition in the epay business in all of our markets. A few multinational companies operate in several of our markets, and we therefore compete with them in a number of countries. In other markets, our competition is from smaller, local companies. Major retailers with high volumes are in a position to demand a larger share of commissions or to

## Table of Contents

negotiate directly with the mobile phone operators, which may compress our margins. Additionally, certain of our content providers, including mobile phone operators have entered into direct contracts with retailers and/or have developed processing technology that diminishes or eliminates the need for intermediate processors and distributors.

**Money Transfer Segment** - Our primary competitors in the money transfer and bill payment business include other large money transfer companies and electronic money transmitters, as well as certain major national and regional banks, financial institutions and independent sales organizations. Our competitors include The Western Union Company and MoneyGram International Inc. The Western Union Company has a significant competitive advantage due to its greater resources and access to capital for expansion. This may allow them to offer better pricing terms to customers, which may result in a loss of our current or potential customers or could force us to lower our prices. Either of these actions could have an adverse impact on our revenues. In addition, our competitors may have the ability to devote more financial and operational resources than we can to the development of new technologies that provide improved functionality and features to their product and service offerings. If successful, their development efforts could render our product and services offerings less desirable, resulting in the loss of customers or a reduction in the price we could demand for our services. In addition to traditional money payment services, new technologies are emerging that may effectively compete with traditional money payment services, such as stored-value cards, debit networks, web-based services and digital currencies. Our continued growth depends upon our ability to compete effectively with these alternative technologies.

If processing fees and commissions in our epay business continue to decline, our financial results may be adversely affected.

Our epay Segment derives revenues based on processing fees and commissions from mobile phone operators and other content providers. Growth in our prepaid mobile business in any given market is driven by a number of factors, including the overall pace of growth in the prepaid mobile phone market which is impacted by competing postpaid services, our market share of the retail distribution capacity, the level of commission that is paid to the various intermediaries in the prepaid mobile airtime distribution chain, and the value provided to the retailers through the types of products offered and the level of integration with their systems. Also, competition among prepaid mobile distributors results in retailer churn and the reduction of commissions paid by prepaid content providers, although a portion of such reductions can be passed along to retailers. In recent years, processing fees and commissions per transaction have declined in most markets, and we expect that trend to continue. We have generally been able to mitigate that trend due to growth in the number of transactions, driven by acquisitions and organic growth. If we cannot continue to increase our transaction levels and per-transaction fees and commissions continue to decline, the combined impact of these factors could adversely impact our financial results.

Our epay and money transfer businesses may be susceptible to fraud and/or credit risks occurring at the retailer, correspondent and/or consumer level, which could adversely affect our results of operations.

In our epay Segment, we contract with retailers that accept payment on our behalf, which we then transfer to a trust or other operating account for payment to content providers. In the event a retailer does not transfer to us payments that it receives for prepaid content sales, whether as a result of fraud, insolvency, billing delays or otherwise, we are responsible to the content provider for the cost of the product sold. We can provide no assurance that retailer fraud or insolvency will not increase in the future or that any proceeds we receive under our credit enhancement or insurance policies will be adequate to cover losses resulting from retailer fraud, which could have a material adverse effect on our business, financial condition and results of operations.

With respect to our money transfer business, we conduct the majority of our business through our agent network, which provides money transfer services directly to consumers at retail locations. Our agents collect funds directly from consumers and in turn, we collect from the agents the proceeds due to us resulting from the money transfer

transactions. In addition, we advance funds to our correspondent banks to pay out money transfers and they may hold our funds for several days or more pending payment to beneficiaries. Therefore, we have credit exposure to our agents and correspondents. Additionally, our Company-owned stores transact a significant amount of business in cash. Although we have safeguards in place, cash transactions have a higher exposure to fraud and theft than other types of transactions. The failure of agents owing us significant amounts to remit funds to us or to repay such amounts, or the loss of cash in our stores could have a material adverse effect our business, financial condition and results of operations.

## Table of Contents

Because we typically enter into short-term contracts with content providers and retailers, our epay business is subject to the risk of non-renewal of those contracts, or renewal under less favorable terms.

Our contracts with content providers to distribute and process content, including prepaid mobile airtime top-up services, typically have terms of less than three years. Many of those contracts may be canceled by either party upon three months' notice. Our contracts with content providers are not exclusive, so these providers may enter into contracts with other service providers. In addition, our service contracts with major retailers typically have terms of one to three years, and our contracts with smaller retailers typically may be canceled by either party upon three to six months' notice. The cancellation or non-renewal of one or more of our significant content provider or retail contracts, or of a large enough group of our contracts with smaller retailers, could have a material adverse effect on our business, financial condition and results of operations. The renewal of contracts under less favorable payment terms, commission terms or other terms could have a material adverse impact on our working capital requirements and/or results from operations. In addition, our contracts generally permit operators to reduce our fees at any time. Commission revenue or fee reductions by any of the content providers could also have a material adverse effect on our business, financial condition or results of operations.

The growth and profitability of our epay business may be adversely affected by changes in state, federal or foreign laws, rules and regulations.

As we continue to expand our electronic payment product offerings, certain of those products may become regulated by state, federal or foreign laws, rules and regulations, including the U.S. Consumer Financial Protection Bureau ("CFPB"). New product offerings may be considered to be money transfer related products which would require licensure for entities distributing or processing such products. If such products become more highly regulated and ultimately require licensure, our epay business may be adversely affected. Further, if regulations regarding the expiration of gift vouchers change in the countries where we offer them, the revenue epay recognizes from unredeemed vouchers may be negatively affected.

The growth in our epay business may be adversely affected if we are unable to expand and differentiate our offering of new electronic payment products.

The prepaid marketplace is currently experiencing high growth in the differentiation of product offerings. While our epay business is focused on expanding and differentiating its suite of prepaid product offerings on a global basis, there can be no assurance that we will be able to enter into relationships on favorable terms with additional content providers or renew or expand current relationships and contracts on favorable terms. Inability to continue to grow our suite of electronic payment product offerings could have a material adverse effect on our business, financial condition and results of operations.

The stability and growth of our EFT Processing Segment may be adversely affected if we are unable to maintain our current card acceptance and ATM management agreements with banks and international card organizations, and to secure new arrangements for card acceptance and ATM management.

The stability and future growth of our EFT Processing Segment depends in part on our ability to sign card acceptance and ATM management agreements with banks and international card organizations. Card acceptance agreements allow our ATMs to accept credit and debit cards issued by banks and international card organizations. ATM management agreements generate service income from our management of ATMs for banks. These agreements are the primary source of revenues in our ATM business.

These agreements have expiration dates, and banks and international card organizations are generally not obligated to renew them. Our existing contracts generally have terms of five to seven years and a number of them expire or are up

for renewal each year. In some cases, banks may terminate their contracts prior to the expiration of their terms. We cannot assure you that we will be able to continue to sign or maintain these agreements on terms and conditions acceptable to us or that international card organizations will continue to permit our ATMs to accept their credit and debit cards. The inability to continue to sign or maintain these agreements, or to continue to accept the credit and debit cards of local banks and international card organizations at our ATMs in the future, could have a material adverse effect on our business, growth, financial condition or results of operations.

## Table of Contents

Our operating results depend, in part, on the volume of transactions on ATMs in our network and the fees we can collect from processing these transactions. We generally have little control over the ATM transaction fees established in the markets where we operate, and therefore, cannot control any potential reductions in these fees which may adversely affect our results of operations.

Transaction fees from banks, customers and international card organizations for transactions processed on our ATMs have historically accounted for a substantial portion of our revenues. These fees are set by agreement among all banks in a particular market. The future operating results of our ATM business depend on the following factors:

• the acceptance of our ATM processing and management services in our target markets;

• the maintenance of the level of transaction fees we receive;

• the continued use of our ATMs by credit and debit cardholders; and

• our ability to generate revenues from interchange fees and from other value added services, including dynamic currency conversion.

The amount of fees we receive per transaction is set in various ways in the markets in which we do business. We have card acceptance agreements or ATM management agreements with some banks under which fees are set. However, we derive the majority of our revenues in many markets from interchange fees, surcharges or cash withdrawal related services that are set by the central ATM processing switch or various card organizations. The banks that participate in these switches or the card organizations that enable the services or transactions set the interchange fee and/or establish the rules regarding the services allowed, and we are not in a position in any market to greatly influence these fees or rules, which may change over time. A significant decrease in the interchange fee, or limitations placed on our ability to offer value added services via our ATM network, in any market could adversely affect our results in that market.

Although we believe that the volume of transactions in developing countries may increase due to growth in the number of cards being issued by banks in these markets, we anticipate that transaction levels on any given ATM in developing markets will not increase significantly. We can attempt to improve the levels of transactions on our ATM network overall by acquiring good sites for our ATMs, eliminating poor locations, entering new, less-developed markets and adding new transactions, including new value added services, to the sets of transactions that are available on our ATMs. However, we may not be successful in materially increasing transaction levels through these measures. Per-transaction fees paid by international card organizations have declined in certain markets in the past and competitive factors have required us to reduce the transaction fees we charge customers. If we cannot continue to increase our transaction levels and per-transaction fees generally decline, our results would be adversely affected.

Tightening of regulations may adversely affect our results.

The evolving regulatory environment may change the competitive landscape across various jurisdictions and adversely affect our financial results. If governments implement new laws or regulations, or organizations such as Visa and MasterCard issue new rules, that effectively limit our ability to provide DCC or set fees and/or foreign currency exchange spreads, then our business, financial condition and results of operations could be materially and adversely affected. In addition, changes in regulatory interpretations or practices could increase the risk of regulatory enforcement actions, fines and penalties and such changes may be replicated across multiple jurisdictions.

Table of Contents

Developments in electronic financial transactions could materially reduce our transaction levels and revenues.

Certain developments in the field of electronic financial transactions may reduce the need for ATMs, prepaid mobile phone POS terminals and money transfer agents. These developments may reduce the transaction levels that we experience on our networks in the markets where they occur. Financial institutions, retailers and agents could elect to increase fees to their customers for using our services, which may cause a decline in the use of our services and have an adverse effect on our revenues. If transaction levels over our existing network of ATMs, POS terminals, agents and other distribution methods do not increase, growth in our revenues will depend primarily on increased capital investment for new sites and developing new markets, which reduces the margin we realize from our revenues.

The mobile phone industry is a rapidly evolving area, in which technological developments, in particular the development of new billing models (such as "all you can eat" plans) and distribution methods or services, may affect the demand for other services in a dramatic way. The development of any new models or technology that reduce the need or demand for prepaid mobile airtime could materially and adversely affect our business.

In some cases, we are dependent upon international card organizations and national transaction processing switches to provide assistance in obtaining settlement from card issuers of funds relating to transactions on our ATMs, and any failure by them to provide the required cooperation could result in our inability to obtain settlement of funds relating to transactions.

Our ATMs dispense cash relating to transactions on credit and debit cards issued by banks. We have in place arrangements for the settlement to us of all of those transactions, but in some cases, we do not have a direct relationship with the card-issuing bank and rely for settlement on the application of rules that are administered by international card associations (such as Visa or MasterCard) or national transaction processing switching networks. If a bankcard association fails to settle transactions in accordance with those rules, we are dependent upon cooperation from such organizations or switching networks to enforce our right of settlement against such banks or card associations. Failure by such organizations or switches to provide the required cooperation could result in our inability to obtain settlement of funds relating to transactions and adversely affect our business. Moreover, international card associations and issuers of their cards (and, in the case of Visa, member banks) have the ability to change or apply their rules in ways that could negatively impact our business. As an example, DCC is not permitted on certain cards in certain geographic territories, and the scope of such restrictions could be extended. Any such change or application of the rules of international card association rules could materially and adversely affect our business.

Because our business is highly dependent on the proper operation of our computer network and telecommunications connections, significant technical disruptions to these systems would adversely affect our revenues and financial results.

Our business involves the operation and maintenance of a sophisticated computer network and telecommunications connections with financial institutions, mobile phone operators, retailers and agents. This, in turn, requires the maintenance of computer equipment and infrastructure, including telecommunications and electrical systems, and the integration and enhancement of complex software applications. There are operational risks inherent in this type of business that can result in the temporary shutdown of part or all of our processing systems, such as failure of electrical supply, failure of computer hardware, security breaches and software errors. Transactions in the EFT Processing Segment are processed through our Budapest, Beijing, Mumbai and Karachi processing centers. Transactions in the ePay Segment are processed through our London, Martinsried, Hamburg, Milan, Buena Park, California and Kansas City, Missouri processing centers. Transactions in our Money Transfer Segment are processed through our Buena Park, California, Kansas City, Missouri, Windsor, Auckland, and Kuala Lumpur processing centers. Any operational problem in these centers may have a significant adverse impact on the operation of our networks. Even with disaster recovery procedures in place, these risks cannot be eliminated entirely, and any technical failure that prevents

operation of our systems for a significant period of time will prevent us from processing transactions during that period of time and will directly and adversely affect our revenues and financial results.

We are subject to security breaches of our systems. Any such breach may cause us to incur financial losses, liability, harm to our reputation, litigation, regulatory enforcement actions and limitations on our ability to conduct our businesses.

We capture, transmit, handle and store sensitive information in conducting and managing electronic, financial and mobile transactions, such as card information, PIN numbers and personal information of various types. These businesses involve certain inherent security risks, in particular: the risk of electronic interception and theft of the information for use in fraudulent or other card transactions by persons outside the Company, including third party vendors, or by our own employees; and the use of fraudulent cards on our network of owned or outsourced ATMs and POS devices. We incorporate industry-standard encryption technology and processing methodology into our systems and software, and maintain controls and procedures



Table of Contents

regarding access to our computer systems by employees and others, to maintain high levels of security. Although this technology and methodology decreases security risks, they cannot be eliminated entirely as criminal elements apply increasingly sophisticated technology to attempt to obtain unauthorized access to the information handled by ATM, money transfer and electronic financial transaction networks. In addition, the cost and timeframes required for implementation of new technology may result in a time lag between availability of such technology and our adoption of it. Further, our controls, procedures and technology may not be able to detect when there is a breach, causing a delay in our ability to mitigate it. As previously disclosed in our SEC filings, we have been the subject of a computer security breach, and we cannot exclude the possibility of additional breaches in the future.

Any breach in our security systems could result in the perpetration of fraudulent financial transactions for which we may bear the liability. We are insured against various risks, including theft and negligence, but such insurance coverage is subject to deductibles, exclusions and limits that may leave us bearing some or all of any losses arising from security breaches.

We also collect, transfer and retain personal data as part of our money transfer business. These activities are subject to certain privacy laws and regulations in the U.S. and in other jurisdictions where our money transfer services are offered. We maintain technical and operational safeguards designed to comply with applicable legal requirements. Despite these safeguards, there remains a risk that these safeguards could be breached resulting in improper access to, and disclosure of, sensitive customer information. Breaches of our security policies or applicable legal requirements resulting in a compromise of customer data could expose us to regulatory enforcement action, subject us to litigation, limit our ability to provide money transfer services and/or cause harm to our reputation.

In addition to electronic fraud issues and breaches of our systems, the possible theft and vandalism of ATMs present risks for our ATM business. We install ATMs at high-traffic sites and consequently our ATMs are exposed to theft and vandalism. Although we are insured against such risks, deductibles, exclusions or limitations in such insurance may leave us bearing some or all of any losses arising from theft or vandalism of ATMs. In addition, we have experienced increases in claims under our insurance, which has increased our insurance premiums.

We could incur substantial losses if one of the third party depository institutions we use in our operations were to fail.

As part of our business operations, we maintain cash balances at third party depository institutions. We could incur substantial losses if a financial institution in which we have significant deposits fails.

We are required under certain national laws and the rules of financial transaction switching networks in all of our markets to have "sponsors" to operate ATMs and switch ATM transactions. Our failure to secure "sponsor" arrangements in any of our markets could prevent us from doing business in that market.

Under the laws of some countries, only a licensed financial institution may operate ATMs. Because we are not a licensed financial institution we are required to have a "sponsor" bank to conduct ATM operations in those countries. In addition, in all of our markets, our ATMs are connected to national financial transaction switching networks owned or operated by banks, and to other international financial transaction switching networks operated by organizations such as Citibank, Visa and MasterCard. The rules governing these switching networks require any company sending transactions through these switches to be a bank or a technical service processor that is approved and monitored by a bank. As a result, the operation of our ATM network in many of our markets depends on our ability to secure these "sponsor" arrangements with financial institutions.

To date, we have been successful in reaching contractual arrangements that have permitted us to operate in all of our target markets. However, we cannot assure you that we will continue to be successful in reaching these arrangements, and it is possible that our current arrangements will not continue to be renewed. If we are unable to secure "sponsor"

arrangements in any market, we could be prevented from doing business in that market.

We rely on third party financial institutions to provide us with the majority of the cash required to operate our ATM networks in certain countries. If these institutions were unable or unwilling to provide us with the cash necessary to operate our ATM networks, we would be required to locate additional alternative sources of cash to operate these networks.

In our EFT Processing Segment, we primarily rely on third party financial institutions in certain countries in Europe and Asia Pacific to provide us with the cash required to operate our ATM networks. Under our agreements with these providers, we pay fees or interest, which is generally variable and could increase, based on the total amount of cash we are using from such provider at a given time, as well as other costs such as bank fees and cash transportation costs. As of December 31, 2015, the amount of cash used in our ATM networks under these supply agreements was approximately \$494.7 million. Before the cash is

30

---

Table of Contents

disbursed to ATM customers, beneficial ownership of the cash is generally retained by the cash providers, and we have no access or proprietary rights to the cash.

Our existing agreements with cash providers are generally multi-year agreements that expire at various times. However, each provider may have the right to demand the return of all or any portion of its cash at any time upon the occurrence of certain events beyond our control, including certain bankruptcy events affecting us or our subsidiaries, or a breach of the terms of our cash provider agreements.

If any of our cash supply providers were to demand return of their cash or terminate their agreements with us and remove their cash from our ATM devices, or if they fail to provide us with the cash our operations require, our ability to operate the ATM networks to which the provider supplies cash would be jeopardized, and we would need to locate additional alternative sources of cash, including, potentially the increased use of our own cash. Under those circumstances, the terms and conditions of the new or renewed agreements could potentially be less favorable to us, which would negatively impact our results of operations. Furthermore, restrictions on our access to cash to supply our ATMs could severely restrict our ability to keep our ATMs operating, which could subject us to performance penalties under our contracts with our customers.

We have already encountered difficulty in obtaining cash supply arrangements in certain of our markets, including Greece, and have begun providing cash for our ATM transactions in those markets. While the amounts involved are currently well within our capabilities given our cash flows and available financing, any failure to renew a major cash supply arrangement could require that we commit significant financial resources to the supply of cash to our ATM networks, which could adversely impact our results of operations.

Competition in our EFT Processing Segment has increased over the last several years, increasing the risk that certain of our long-term bank outsourcing contracts may be terminated or not renewed upon expiration.

The developing markets in which we have done business have matured over the years, resulting in increasing competition. In addition, as consolidation of financial institutions in Central and Eastern Europe continues, certain of our customers have established or are establishing internal ATM management and processing capabilities. As a result of these developments, negotiations regarding renewal of contracts have become increasingly challenging and in certain cases we have reduced fees to extend contracts beyond their original terms. In certain other cases, contracts have been, and in the future may be, terminated by financial institutions resulting in a substantial reduction in revenue. Contract termination payments, if any, may be inadequate to replace revenues and operating income associated with these contracts. Although we have historically considered the risk of non-renewal of major contracts to be relatively low because of complex interfaces and operational procedures established for those contracts, the risk of non-renewal or early termination is increasing.

Our operating results in the money transfer business may be harmed if there are adverse changes in worker immigration patterns, our ability to expand our share of the existing electronic market and to expand into new markets and our ability to continue complying with regulations issued by the Office of Foreign Assets Control (“OFAC”), Bank Secrecy Act (“BSA”), Financial Crimes Enforcement Network (“FINCEN”), PATRIOT Act regulations or any other existing or future regulations that impact any aspect of our money transfer business.

Our money transfer business primarily focuses on workers who migrate to foreign countries in search of employment and then send a portion of their earnings to family members in their home countries. Changes in U.S. and foreign government policies or enforcement toward immigration may have a negative effect on immigration in the U.S. and other countries, which could also have an adverse impact on our money transfer revenues.

Both U.S. and foreign regulators have become increasingly aggressive in the enforcement of the various regulatory regimes applicable to our businesses and the imposition of fines and penalties in the event of violations. Our ability to continue complying with the requirements of OFAC, BSA, FINCEN, the PATRIOT Act and other regulations (both U.S. and foreign) is important to our success in achieving growth and an inability to do this could have an adverse impact on our revenues and earnings. Anti-money laundering regulations require us to be responsible for the compliance by agents with such regulations. Although we have training and compliance programs in place, we cannot be certain our agents will comply with such regulations and we may be held responsible for their failure to comply, resulting in fines and penalties.

Future growth and profitability depend upon expansion within the markets in which we currently operate and the development of new markets for our money transfer services. Our expansion into new markets is dependent upon our ability to successfully apply our existing technology or to develop new applications to satisfy market demand. We may not have adequate financial and technological resources to expand our distribution channels and product applications to satisfy these demands, which may have an adverse impact on our ability to achieve expected growth in revenues and earnings.

Table of Contents

Changes in state, federal or foreign laws, rules and regulations could impact the money transfer industry, making it more difficult for our customers to initiate money transfers which would harm our money transfer business.

Our money transfer services are subject to regulation by the U.S. states in which we operate, by the U.S. federal government and by the governments of the other countries in which we operate. Changes in the laws, rules and regulations of these governmental entities, and our ability to obtain or retain required licensure, could have a material adverse impact on our results of operations, financial condition and cash flow.

Changes in banking industry regulation and practice could make it more difficult for us and our agents to maintain depository accounts with banks, which would harm our business.

The banking industry, in light of increased regulatory oversight, is continually examining its business relationships with companies that offer money transfer services and with retail agents that collect and remit cash collected from end consumers. Certain major national and international banks have already withdrawn from providing service to money service bureaus ("MSBs"). Should our own banks decide to not offer depository services to companies engaged in processing money transfer transactions, or to retail agents that collect and remit cash from end customers, our ability to complete money transfers, and to administer and collect fees from money transfer transactions, could be adversely impacted.

If we are unable to maintain our money transfer agent and correspondent networks, our business may be adversely affected.

Our consumer-to-consumer money transfer based revenues are primarily generated through the use of our agent and correspondent networks. If agents or correspondents decide to leave our network or if we are unable to sign new agents or correspondents, our revenue and profit growth rates may be adversely affected. Our agents and correspondents are also subject to a wide variety of laws and regulations that vary significantly, depending on the legal jurisdiction. Changes in these laws and regulations could adversely affect our ability to maintain the networks or the cost of providing money transfer services. In addition, agents may generate fewer transactions or less revenue due to various factors, including increased competition. Because our agents and correspondents are third parties that may sell products and provide services in addition to our money transfer services, they may encounter business difficulties unrelated to the provision of our services, which may cause the agents or correspondents to reduce their number of locations or hours of operation, or cease doing business altogether.

If consumer confidence in our money transfer business or brands declines, our business may be adversely affected.

Our money transfer business relies on customer confidence in our brands and our ability to provide efficient and reliable money transfer services. A decline in customer confidence in our business or brands, or in traditional money transfer providers as a means to transfer money, may adversely impact transaction volumes which would, in turn, be expected to adversely impact our business and possibly result in recording charges for the impairment of goodwill and/or other long-lived assets.

Our money transfer service offerings are dependent on financial institutions to provide such offerings, and any adverse change in such offerings would harm our money transfer business.

Our money transfer business involves transferring funds internationally and is dependent upon foreign and domestic financial institutions, including our competitors, to execute funds transfers and foreign currency transactions. Changes to existing regulations of financial institution operations, such as those designed to combat terrorism or money laundering, could require us to alter our operating procedures in a manner that increases our cost of doing business or

to terminate certain product offerings. In addition, as a result of existing regulations and/or changes to those regulations, financial institutions could decide to cease providing the services on which we depend, requiring us to terminate certain product offerings.

## Table of Contents

The Dodd-Frank Act could have an adverse effect on our ability to hedge risks associated with our business.

The Dodd-Frank Act established federal oversight and regulation of the over-the-counter derivatives market and entities that participate in that market. The act requires the U.S. Commodity Futures Trade Commission ("CFTC") to institute broad new position limits for futures and options traded on regulated exchanges. As the law favors exchange trading and clearing, the Dodd-Frank Act also may require us to move certain derivatives transactions to exchanges where no trade credit is provided and also comply with margin requirements in connection with our derivatives activities that are not exchange traded, although the application of those provisions to us is uncertain at this time. The Dodd-Frank Act also requires many counterparties to our derivatives instruments to spin off some of their derivatives activities to a separate entity, which may not be as creditworthy as the current counterparty, or cause the entity to comply with the capital requirements, which could result in increased costs to counterparties such as us. The Dodd-Frank Act and any new regulations could (i) significantly increase the cost of derivative contracts (including requirements to post collateral, which could adversely affect our available liquidity); (ii) reduce the availability of derivatives to protect against risks we encounter; and (iii) reduce the liquidity of foreign currency related derivatives.

If we reduce our use of derivatives as a result of the legislation and regulations, our results of operations may become more volatile and our cash flows may be less predictable, which could adversely affect our ability to plan for and fund capital expenditures. Increased volatility may make us less attractive to certain types of investors. Any of these consequences could have a material adverse effect on our financial condition and results of operations.

### Item 1B. Unresolved Staff Comments

None.

### Item 2. Properties

Our executive offices are located in Leawood, Kansas. As of December 31, 2015, we also have 30 principal offices in Europe, 12 in Asia Pacific, eight in North America, three in the Middle East, two in South America and one in Africa. Our office leases generally provide for initial terms ranging from two to twelve years.

Our processing centers for the EFT Processing Segment are located in Budapest, Hungary; Beijing, China; Mumbai, India; and Karachi, Pakistan. Processing centers we operate for the epay Segment are located in London, U.K., Martinsried, Germany; Hamburg, Germany; Kansas City, Missouri; Buena Park, California; and Milan, Italy. Our processing centers for the Money Transfer Segment are located in Buena Park, California; Kansas City, Missouri; Windsor, U.K.; Auckland, New Zealand; and Kuala Lumpur, Malaysia.

All of our processing centers are leased and have off-site real time backup processing centers that are capable of providing full or partial processing services in the event of failure of the primary processing centers.

### Item 3. Legal Proceedings

The Company is, from time to time, a party to legal or regulatory proceedings arising in the ordinary course of its business.

The discussion regarding litigation in Part II, Item 8 - Financial Statements and Supplementary Data and Note 18, Litigation and Contingencies, to the Consolidated Financial Statements included elsewhere in this report is incorporated herein by reference.

Currently, there are no other legal or regulatory proceedings that management believes, either individually or in the aggregate, would have a material adverse effect upon the consolidated financial statements of the Company. In accordance with U.S. GAAP, we record a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These liabilities are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case or proceeding.

Item 4. Mine Safety Disclosures

Not applicable.



Table of Contents

## Part II

## Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

## Market Information

Our Common Stock, \$0.02 par value per share ("Common Stock"), is quoted on the NASDAQ Global Select Market under the symbol EEFT. The following table sets forth the high and low daily sales prices during the quarters indicated for our Common Stock:

For the quarters ended	2015		2014	
	High	Low	High	Low
December 31	\$82.49	\$70.82	\$59.75	\$43.92
September 30	\$76.55	\$59.07	\$54.66	\$45.30
June 30	\$62.75	\$56.05	\$49.60	\$39.21
March 31	\$58.76	\$44.96	\$48.54	\$36.05

## Dividends

Since our inception, no dividends have been paid on our Common Stock or Preferred Stock. We do not intend to distribute dividends for the foreseeable future. Certain of our credit facilities consider payment of dividends a restricted payment which is a component in one of our financial covenants. Should we exceed the total amount allowed in the covenant, we would need to obtain lender consent prior to making any dividend payment.

## Holders

At December 31, 2015, we had 58 stockholders of record of our Common Stock, and none of our Preferred Stock was outstanding. This figure does not include an estimate of the indeterminate number of beneficial holders whose shares may be held of record by brokerage firms and clearing agencies.

## Private Placements and Issuances of Equity

During 2015, we did not issue any equity securities that were not registered under the Securities Act of 1933, which have not been previously reported in a Quarterly Report on Form 10-Q or a Current Report on Form 8-K.

Table of Contents

Stock Performance Graph

Set forth below is a graph comparing the total cumulative return on our Common Stock from December 31, 2010 through December 31, 2015 with the Total Returns Index for U.S. companies traded on the NASDAQ Global Select Market (the “Market Group”) and an index group of peer companies, the Total Returns Index for U.S. NASDAQ Financial Stocks (the “Peer Group”). Returns are based on monthly changes in price and assume reinvested dividends. These calculations assume the value of an investment in the Common Stock, the Market Group and the Peer Group was \$100 on December 31, 2010.

The following performance graph and related text are being furnished to and not filed with the SEC, and will not be deemed to be “soliciting material” or subject to Regulation 14A or 14C under the Exchange Act or to the liabilities of Section 18 of the Exchange Act and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent we specifically incorporate such information by reference into such filing.

---

NOTE: Derived from CRSP NASDAQ Stock Market (US Companies) and CRSP NASDAQ Financial Index, Center for Research in Security Prices (CRSP®), Graduate School of Business, The University of Chicago. Copyright 2016. Used with permission. All rights reserved.

Table of Contents

## Equity Compensation Plan Information

The table below sets forth information with respect to shares of Common Stock that may be issued under our equity compensation plans as of December 31, 2015.

Plan category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options and Rights	(b) Weighted Average Exercise Price of Outstanding Options and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))(1)
Equity compensation plans approved by security holders:			5,105,804
Stock option awards	3,226,221	\$31.40	
Restricted stock unit awards	572,828	—	
Equity compensation plans not approved by security holders	—	—	—
Total	3,799,049	\$26.67	5,105,804

(1) Included in this column is 0.3 million shares remaining under our employee stock purchase plan. During 2015, Euronet issued 54,421 shares to employees under the employee stock purchase plan.

## Stock Repurchases

The Company repurchased no shares of its Common Stock during the three months ended December 31, 2015. In January 2016, the Company announced that its Board of Directors authorized a stock repurchase program allowing Euronet to repurchase up to \$100 million in value or 5 million shares of its Common Stock through December 10, 2017. Repurchases may take place in the open market or in privately negotiated transactions, including derivative transactions, and may be made under a Rule 10b5-1 plan.

Table of Contents

## Item 6. Selected Financial Data

The following information should be read in conjunction with Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations and our Consolidated Financial Statements and accompanying notes contained in Item 8 - Financial Statements and Supplementary Data in this report. The historical results are not necessarily indicative of the results to be expected in any future period.

(dollar amounts in thousands, except per share amounts)	Year Ended December 31,				
	2015	2014	2013	2012	2011
Income statement data:					
Revenues	\$1,772,262	\$1,664,150	\$1,413,169	\$1,267,601	\$1,161,304
Operating expenses (1)	1,497,396	1,433,964	1,229,705	1,145,429	1,021,710
Depreciation and amortization	70,025	71,455	65,053	64,167	60,457
Operating income (1)	204,841	158,731	118,411	58,005	79,137
Other expenses, net	(63,747 )	(17,182 )	(3,532 )	(11,613 )	(18,197 )
(Loss) income from unconsolidated affiliates	—	(46 )	206	942	1,852
Income from continuing operations before income taxes	141,094	141,503	115,085	47,334	62,792
Income tax expense	(42,602 )	(40,015 )	(27,732 )	(26,937 )	(24,704 )
Income from continuing operations	\$98,492	\$101,488	\$87,353	\$20,397	\$38,088
Earnings per share from continuing operations:					
Basic	\$1.89	\$1.96	\$1.76	\$0.41	\$0.73
Diluted	\$1.83	\$1.89	\$1.69	\$0.40	\$0.71
Balance sheet data (at period end):					
Assets	\$2,192,714	\$2,038,447	\$1,595,158	\$1,547,438	\$1,501,844
Debt obligations, long-term portion	405,472	397,256	185,478	282,501	157,108
Capital lease obligations, long-term portion	4,147	2,148	2,872	4,589	4,249
Summary network data					
Number of operational ATMs at end of period	21,360	20,364	18,311	17,600	14,224
EFT processing transactions during the period (millions)	1,318	1,262	1,188	1,164	943
Number of operational prepaid processing POS terminals at end of period (rounded)	674,000	681,000	665,000	680,000	615,000
Prepaid processing transactions during the period (millions)	1,335	1,244	1,115	1,113	1,064
Money transfer transactions during the period (millions)	68.7	48.5	35.2	30.7	24.5

The results of 2013 and 2012 include non-cash charges related to impairment of goodwill and acquired intangible (1) assets of \$18.4 million and \$28.7 million, respectively. Additionally, 2013 results include a \$19.3 million non-cash acquisition-related contingent consideration gain.



## Table of Contents

### Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

#### Company Overview, Geographic Locations and Principal Products and Services

Euronet is a leading electronic payments provider. We offer payment and transaction processing and distribution solutions to financial institutions, retailers, service providers and individual consumers. Our primary product offerings include comprehensive automated teller machine ("ATM"), point-of-sale ("POS"), card outsourcing, card issuing and merchant acquiring services, software solutions, electronic distribution of prepaid mobile airtime and other electronic payment products, foreign exchange services and global money transfer services. We operate in the following three segments:

The EFT Processing Segment, which processes transactions for a network of 21,360 ATMs and approximately 113,000 POS terminals across Europe, the Middle East and Asia Pacific. We provide comprehensive electronic payment solutions consisting of ATM cash withdrawal and deposit services, ATM network participation, outsourced ATM and POS management solutions, credit and debit card outsourcing, dynamic currency conversion ("DCC"), and other value added services. Through this segment, we also offer a suite of integrated electronic financial transaction software solutions for electronic payment and transaction delivery systems.

The epay Segment, which provides distribution, processing and collection services for prepaid mobile airtime and other electronic payment products. We operate a network of approximately 674,000 POS terminals providing electronic processing of prepaid mobile airtime top-up services and other electronic payment products in Europe, the Middle East, Asia Pacific, the United States and South America. We also provide vouchers and physical gift fulfillment services in Europe.

The Money Transfer Segment, which provides global consumer-to-consumer money transfer services, primarily under the brand names Ria, IME and XE and global account-to-account money transfer services under the brand name HiFX. We offer services under the brand names Ria and IME through a network of sending agents, Company-owned stores (primarily in North America, Europe and Malaysia) and our websites (riamoneytransfer.com and imeremit.com), disbursing money transfers through a worldwide correspondent network that includes approximately 292,000 locations. XE is a provider of foreign currency exchange information and offers money transfer services on its currency data websites (xe.com and x-rates.com), which are executed by a third party. We offer services under the brand name HiFX through our HiFX websites (www.hifx.co.uk and www.hifx.com.au) and HiFX customer service representatives. In addition to money transfers, we also offer customers bill payment services (primarily in the U.S.), payment alternatives such as money orders and prepaid debit cards, comprehensive check cashing services for a wide variety of issued checks, along with competitive foreign currency exchange services and mobile top-up. Through our HiFM brand, we offer cash management solutions and foreign currency risk management services to small-to-medium sized businesses.

We have six processing centers in Europe, five in Asia Pacific and two in North America. We have 30 principal offices in Europe, 12 in Asia Pacific, eight in North America, three in the Middle East, two in South America and one in Africa. Our executive offices are located in Leawood, Kansas, USA. With approximately 70% of our revenues denominated in currencies other than the U.S. dollar, any significant changes in foreign currency exchange rates will likely have a significant impact on our results of operations (for a further discussion, see Item 1A - Risk Factors and Item 7A - Quantitative and Qualitative Disclosures About Market Risk).

#### Sources of Revenues and Cash Flow

Euronet primarily earns revenues and income from ATM management fees, transaction fees, commissions and foreign currency exchange margin. Each operating segment's sources of revenues are described below.

EFT Processing Segment — Revenues in the EFT Processing Segment, which represented approximately 21% of total consolidated revenues for the year ended December 31, 2015, are derived from fees charged for transactions made by cardholders on our proprietary network of ATMs, fixed management fees and transaction fees we charge to customers for operating ATMs and processing debit and credit cards under outsourcing and cross-border acquiring agreements, foreign currency exchange margin on DCC transactions, and other value added services such as advertising, prepaid telecommunication recharges, bill payment, and money transfers provided over ATMs. Revenues in this segment are

also derived from license fees, professional services and maintenance fees for proprietary application software and sales of related hardware.

38

---

## Table of Contents

epay Segment — Revenues in the epay Segment, which represented approximately 40% of total consolidated revenues for the year ended December 31, 2015, are primarily derived from commissions or processing fees received from mobile phone operators for the processing and distribution of prepaid mobile airtime and commissions earned from the distribution of other electronic payment products, vouchers, and physical gifts. Due to certain provisions in our mobile phone operator agreements, the operators have the ability to reduce the overall commission paid on top-up transactions. However, by virtue of our agreements with retailers (distributors where POS terminals are located) in certain markets, not all of these reductions are absorbed by us because we are able to pass a significant portion of the reductions to retailers. Accordingly, under certain retailer agreements, the effect is to reduce revenues and reduce our direct operating costs resulting in only a small impact on gross profit and operating income. In some markets, reductions in commissions can significantly impact our results as it may not be possible, either contractually or commercially in the concerned market, to pass a reduction in commissions to the retailers. In certain markets, retailers may negotiate directly with the mobile phone operators and prepaid content providers for their own commission rates, which also limits our ability to pass through reductions in commissions. Agreements with mobile operators and prepaid content providers are important to the success of our business. These agreements permit us to distribute prepaid mobile airtime and other electronic payment products to the end consumer. Other electronic payment products offered by this segment include prepaid long distance calling card plans, prepaid Internet plans, prepaid debit cards, gift cards, vouchers, transport payments, lottery payments, bill payment, money transfer and digital content such as music, games and software.

Money Transfer Segment — Revenues in the Money Transfer Segment, which represented approximately 39% of total consolidated revenues for the year ended December 31, 2015, are primarily derived from transaction fees, as well as the margin earned from purchasing foreign currency at wholesale exchange rates and selling the foreign currency to customers at retail exchange rates. We have a sending agent network in place comprised of agents, customer service representatives, Company-owned stores, primarily in North America, Europe and Malaysia, and our websites [www.riamoneytransfer.com](http://www.riamoneytransfer.com), [imeremit.com](http://imeremit.com), [xe.com](http://xe.com), [x-rates.com](http://x-rates.com), [www.hifx.co.uk](http://www.hifx.co.uk) and [www.hifx.com.au](http://www.hifx.com.au), along with a worldwide network of correspondent agents, consisting primarily of financial institutions in the transfer destination countries. Sending and correspondent agents each earn fees for cash collection and distribution services, which are recognized as direct operating costs at the time of sale.

Corporate Services, Eliminations and Other — In addition to operating in our principal operating segments described above, our “Corporate Services, Eliminations and Other” category includes non-operating activity, certain inter-segment eliminations and the cost of providing corporate and other administrative services to the operating segments, including most share-based compensation expense. These services are not directly identifiable with our reportable operating segments.

## Opportunities and Challenges

Our expansion plans and opportunities are focused on eight primary areas:

- increasing the number of ATMs in our independent ATM networks;
- increasing transactions processed on our network of owned and operated ATMs and POS devices;
- signing new outsourced ATM and POS terminal management contracts;
- expanding value added services in our EFT Processing Segment, including the sale of DCC services to banks and retailers;
- expanding our epay processing network and portfolio of electronic payment products;
- expanding our money transfer services, cross-currency payments products and bill payment network;
- expanding our cash management solutions and foreign currency risk management services; and
- developing our credit and debit card outsourcing business.

EFT Processing Segment — The continued expansion and development of our EFT Processing Segment business will depend on various factors including, but not necessarily limited to, the following:

- the impact of competition by banks and other ATM operators and service providers in our current target markets;
-



the demand for our ATM outsourcing services in our current target markets;

our ability to develop products or services, including value added services, to drive increases in transactions and revenues;

the expansion of our various business lines in markets where we operate and in new markets;

our entry into additional card acceptance and ATM management agreements with banks;

our ability to obtain required licenses in markets we intend to enter or expand services;

Table of Contents

- our ability to enter into and renew ATM network cash supply agreements with financial institutions;
- the availability of financing for expansion;
- our ability to efficiently install ATMs contracted under newly awarded outsourcing agreements;
- our ability to renew existing contracts at profitable rates;
- our ability to maintain pricing at current levels or mitigate price reductions in certain markets;
- the impact of reductions in ATM interchange fees;
- our ability to expand and sign additional customers for the cross-border merchant processing and acquiring business; and
- the continued development and implementation of our software products and their ability to interact with other leading products.

We consistently evaluate and add prospects to our list of potential ATM outsource customers. However, we cannot predict the increase or decrease in the number of ATMs we manage under outsourcing agreements because this depends largely on the willingness of banks to enter into outsourcing contracts with us. Due to the thorough internal reviews and extensive negotiations conducted by existing and prospective banking customers in choosing outsource vendors, the process of entering into or renewing outsourcing agreements can take several months. The process is further complicated by the legal and regulatory considerations of local countries. These agreements tend to cover large numbers of ATMs, so significant increases and decreases in our pool of managed ATMs could result from acquisition or termination of one or more of these management contracts. Therefore, the timing of both current and new contract revenues is uncertain and unpredictable.

Software products are an integral part of our product lines, and our investment in research, development, delivery and customer support reflects our ongoing commitment to an expanded customer base.

epay Segment — The continued expansion and development of the epay Segment business will depend on various factors, including, but not necessarily limited to, the following:

- our ability to maintain and renew existing agreements, and to negotiate new agreements in additional markets with mobile operators, content providers, agent financial institutions and retailers;
- our ability to use existing expertise and relationships with mobile operators, content providers and retailers to our advantage;
- the continued use of third-party providers such as ourselves to supply electronic processing solutions for existing and additional content;
- the development of mobile phone networks in the markets in which we do business and the increase in the number of mobile phone users;
- the overall pace of growth in the prepaid mobile phone market, including consumer shifts between prepaid and postpaid services;
- our market share of the retail distribution capacity;
- the development of new technologies that may compete with POS distribution of prepaid mobile airtime and other products;
- the level of commission that is paid to the various intermediaries in the electronic payment distribution chain;
- our ability to fully recover monies collected by retailers;
- our ability to add new and differentiated products in addition to those offered by mobile operators;
- our ability to develop and effectively market additional value added services;
- our ability to take advantage of cross-selling opportunities with our EFT Processing and Money Transfer Segments, including providing money transfer services through our distribution network; and
- the availability of financing for further expansion.

In all of the markets in which we operate, we are experiencing significant competition which will impact the rate at which we may be able to grow organically. Competition among prepaid mobile airtime distributors results in the increase of commissions paid to retailers and increases in retailer attrition rates. To grow, we must capture market share from other prepaid mobile airtime distributors, offer a superior product offering and demonstrate the value of a

global network. In certain markets in

40

---

Table of Contents

which we operate, many of the factors that may contribute to rapid growth (growth in electronic payment products, expansion of our network of retailers and access to all mobile operators' products) remain present.

Money Transfer Segment — The continued expansion and development of our Money Transfer Segment business will depend on various factors, including, but not necessarily limited to, the following:

- the continued growth in worker migration and employment opportunities;
- the mitigation of economic and political factors that have had an adverse impact on money transfer volumes, such as changes in the economic sectors in which immigrants work and the developments in immigration policies in the countries in which we operate;
- the continuation of the trend of increased use of electronic money transfer and bill payment services among high-income individuals, immigrant workers and the unbanked population in our markets;
- our ability to maintain our agent and correspondent networks;
- our ability to offer our products and services or develop new products and services at competitive prices to drive increases in transactions;
- the development of new technologies that may compete with our money transfer network;
- the expansion of our services in markets where we operate and in new markets;
- our ability to strengthen our brands;
- our ability to fund working capital requirements;
- our ability to recover from agents funds collected from customers and our ability to recover advances made to correspondents;
- our ability to maintain compliance with the regulatory requirements of the jurisdictions in which we operate or plan to operate;
- our ability to take advantage of cross-selling opportunities with our epay Segment, including providing prepaid services through our stores and agents worldwide;
- our ability to leverage our banking and merchant/retailer relationships to expand money transfer corridors to Europe, Asia and Africa, including high growth corridors to Central and Eastern European countries;
- the availability of financing for further expansion;
- the ability to maintain banking relationships necessary for us to service our customers;
- our ability to successfully expand our agent network in Europe using our payment institution licenses under the Payment Services Directive and in the United States; and
- our ability to provide additional value-added products under the XE brand.

The accounting policies of each segment are the same as those referenced in the summary of significant accounting policies (see Note 3, Summary of Significant Accounting Policies and Practices, to the Consolidated Financial Statements).

For all segments, our continued expansion may involve additional acquisitions that could divert our resources and management time and require integration of new assets with our existing networks and services. Our ability to effectively manage our growth has required us to expand our operating systems and employee base, particularly at the management level, which has added incremental operating costs. An inability to continue to effectively manage expansion could have a material adverse effect on our business, growth, financial condition or results of operations. Inadequate technology and resources would impair our ability to maintain current processing technology and efficiencies, as well as deliver new and innovative services to compete in the marketplace.

Table of Contents

## Segment Revenues and Operating Income For The Years Ended December 31, 2015, 2014 and 2013

(in thousands)	Revenues			Operating Income (Expense)		
	2015	2014	2013	2015	2014	2013
EFT Processing	\$379,523	\$358,636	\$296,240	\$94,394	\$91,321	\$81,350
epay	708,373	783,781	748,680	66,439	61,070	39,461
Money Transfer	685,635	523,150	370,365	78,658	42,741	31,095
Total	1,773,531	1,665,567	1,415,285	239,491	195,132	151,906
Corporate services, eliminations and other	(1,269 )	(1,417 )	(2,116 )	(34,650 )	(36,401 )	(33,495 )
Total	\$1,772,262	\$1,664,150	\$1,413,169	\$204,841	\$158,731	\$118,411

## Summary

Our annual consolidated revenues increased by 6% for 2015 compared to 2014 and by 18% for 2014 compared to 2013.

The increase in revenues for 2015 was primarily due to the acquisitions of IME and XE Corporation, the continued growth of the Walmart-2-Walmart money transfer service since its April 2014 launch and growth in the number of money transfers processed by the core Ria business in our Money Transfer Segment, an increase in the number of ATMs under management, along with an increase in demand for DCC and other value added services, in our EFT Processing Segment, the inclusion of a full year of contributions from HiFX since its acquisition in May 2014, and an increase in the number of transactions processed by our epay subsidiaries in Germany, Australia, New Zealand, India and the Middle East. These increases were partly offset by the impact of the U.S. dollar strengthening against key foreign currencies, a decrease in the number of prepaid transactions processed by our epay subsidiaries in Brazil and the U.K. and a decrease in rates charged for certain debit and credit card outsourcing services in our EFT Processing Segment.

The increase in revenues for 2014 was primarily due to the launch of the Walmart-2-Walmart money transfer service in April 2014 and growth in the number of money transfers processed by the core Ria business in our Money Transfer Segment, an increase in the number of ATMs under management, along with an increase in demand for DCC and other value added services, in our EFT Processing Segment, the impact of the acquisition of HiFX in May 2014, and an increase in the number of transactions processed by our epay subsidiary in Germany. These increases were partly offset by a decrease in the number of prepaid transactions processed by our epay subsidiaries in Brazil and Australia. The increase in operating income for 2015 was primarily due to the increase in the number of money transfer transactions processed, including Walmart-2-Walmart transactions and those of our businesses acquired in 2014 and 2015, the increase in ATMs under management, along with the increase in demand for DCC and other value added services, and the increase in the number of prepaid transactions processed in Germany, Australia, New Zealand, India and the Middle East. These increases were partly offset by the impact of the U.S. dollar strengthening against key foreign currencies, a decrease in the number of prepaid transactions processed in Brazil and the U.K. and a decrease in rates charged for certain debit and credit card outsourcing services.

The increase in operating income for 2014 was primarily due to the increase in ATMs under management, along with the increase in demand for DCC and other value added services, the contributions from HiFX after its acquisition, the increase in the number of money transfer transactions processed, particularly in the U.S., and the increase in the number of prepaid transactions processed in Germany. These increases were partly offset by the decrease in earnings at our epay subsidiaries in the U.S. and the U.K.

Our operating income for 2013 includes non-cash goodwill and intangible asset impairment charges of \$18.4 million as discussed in Note 8, Goodwill and Acquired Intangible Assets, Net, to the Consolidated Financial Statements.

Additionally, operating income for 2013 includes a \$19.3 million acquisition-related contingent consideration gain, as discussed in Note 17, Financial Instruments and Fair Value Measurements, to the Consolidated Financial Statements.

Excluding the impairment charges and the contingent consideration gain, our operating income increased by 35% for

2014 compared to 2013.

Net income attributable to Euronet for 2015, 2014 and 2013 was \$98.8 million, or \$1.83 per diluted share, \$101.6 million, or \$1.89 per diluted share, and \$88.0 million, or \$1.69 per diluted share, respectively.

42

---

Table of Contents

## Impact of changes in foreign currency exchange rates

Our revenues and local expenses are recorded in the functional currencies of our operating entities, and then are translated into U.S. dollars for reporting purposes; therefore, amounts we earn outside the U.S. are negatively impacted by a stronger U.S. dollar and positively impacted by a weaker U.S. dollar. Considering the results by country and the associated functional currency, we estimate that our reported consolidated operating income for 2015 was 14% less due to changes in foreign currency exchange rates when compared to 2014. Our 2014 consolidated operating income was not significantly influenced by the changes in foreign currency exchange rates when compared to 2013. If significant, in our discussion we will refer to the impact of fluctuations in foreign currency exchange rates in our comparison of operating segment results. To provide further perspective on the impact of foreign currency exchange rates, the following table shows the changes in values relative to the U.S. dollar during 2015 and 2014, of the currencies of the countries in which we have our most significant operations:

Currency	Average Translation Rate Year Ended December 31,			2015 Decrease Percent	2014 Increase (Decrease) Percent
	2015	2014	2013		
Australian dollar	\$0.7521	\$0.9020	\$0.9677	(17 )%	(7 )%
Brazilian real	\$0.3051	\$0.4263	\$0.4654	(28 )%	(8 )%
British pound	\$1.5283	\$1.6474	\$1.5645	(7 )%	5 %
euro	\$1.1102	\$1.3286	\$1.3284	(16 )%	n/m
Hungarian forint	\$0.0036	\$0.0043	\$0.0045	(16 )%	(4 )%
Indian rupee	\$0.0156	\$0.0164	\$0.0172	(5 )%	(5 )%
New Zealand dollar	\$0.7001	\$0.8301	\$0.8201	(16 )%	1 %
Polish zloty	\$0.2656	\$0.3177	\$0.3170	(16 )%	n/m

n/m - Not meaningful.

## Comparison of Operating Results For The Years Ended December 31, 2015, 2014 and 2013 - By Operating Segment

## EFT Processing Segment

The following table summarizes the results of operations for our EFT Processing Segment for the years ended December 31, 2015 and 2014:

(dollar amounts in thousands)	Year Ended December 31,		Year-over-Year Change	
	2015	2014	Increase (Decrease) Amount	Increase (Decrease) Percent
Total revenues	\$379,523	\$358,636	\$20,887	6 %
Operating expenses:				
Direct operating costs	182,136	163,590	18,546	11 %
Salaries and benefits	45,364	47,148	(1,784 )	(4 )%
Selling, general and administrative	25,822	25,730	92	n/m
Depreciation and amortization	31,807	30,847	960	3 %
Total operating expenses	285,129	267,315	17,814	7 %
Operating income	\$94,394	\$91,321	\$3,073	3 %
Transactions processed (millions)	1,318	1,262	56	4 %
ATMs as of December 31	21,360	20,364	996	5 %
Average ATMs	21,395	19,247	2,148	11 %

n/m - Not meaningful.





Table of Contents

## Revenues

Our revenues for 2015 increased when compared to 2014, primarily due to an increase in the number of ATMs and POS devices under management being partially offset by the impact of the U.S. dollar strengthening against key foreign currencies. The increase in ATMs and POS devices under management also contributed to an increase in DCC revenues which were partly offset by a decrease in rates charged for certain debit and credit outsourcing services as a result of our actions to amend and extend a contract with a large European customer during the first quarter of 2015. During 2015, our EFT Processing business in Greece was affected by the sovereign debt crisis in that country. First, due to capital controls on Greek banks, we were not able to obtain the full amount of cash from them needed to fill our ATMs which occasionally resulted in fewer transactions processed due to empty ATMs. However, we had arranged alternative sources of cash to supplement those supplied by Greek banks which largely mitigated ATM cash supply problems. Second, due to the uncertainty in Greece, tourist traffic was lower than usual which reduced the number of ATM withdrawals and DCC transactions processed. Further, some tourists who were concerned about their ability to withdraw cash from ATMs in Greece brought additional cash with them on their travels which resulted in fewer withdrawals from our ATMs, including DCC transactions. Developments in the latter part of 2015 appear to keep Greece as a member of the European Union and the Eurozone which allayed the immediate risk of any currency conversion of our cash in Greece; however, the longer term risk of Greece exiting the European Union is still uncertain and any related currency conversion risk remains. The circumstances which led to lower tourist traffic in Greece and fewer associated withdrawals from our ATMs during 2015 are expected to subside and not significantly impact our operations in 2016.

Average monthly revenues per ATM were \$1,478 for 2015 compared to \$1,553 for 2014. The decrease was primarily due to the strengthening of the U.S. dollar against key foreign currencies, partly offset by revenue growth from an increase in ATMs under management and DCC transactions processed. Revenues per transaction were \$0.29 for 2015 compared to \$0.28 for 2014. Revenue growth from DCC, which earns higher revenues per transaction than other ATM or card based services, was largely offset by the impact of the U.S. dollar strengthening against key foreign currencies.

We offer DCC over our Independent ATM Deployed networks, over ATM networks that we operate on an outsourced basis for banks, and over ATM networks or POS devices as a stand-alone service. On ATMs or POS devices that are operated for banks, or where we offer DCC as a stand-alone service to banks or merchants, we share the foreign exchange margin. The foreign exchange margin on a DCC transaction can substantially increase the amount Euronet earns from the underlying ATM or POS transaction and increase the profitability of those ATMs on which DCC is offered.

## Direct operating costs

Direct operating costs consist primarily of site rental fees, cash delivery costs, cash supply costs, maintenance, insurance, telecommunications, data center operations-related personnel costs, the processing centers' facility-related costs and other processing center-related expenses, as well as commissions paid to retail merchants, banks and card processors involved with POS DCC transactions. Direct operating costs increased for 2015 compared to 2014 primarily due to the increase in the number of ATMs under management, partly offset by the impact of the U.S. dollar strengthening against key foreign currencies.

## Gross profit

Gross profit, which is calculated as revenues less direct operating costs, was \$197.4 million for 2015 compared to \$195.0 million for 2014. This increase was primarily due to growth in revenues from increases in ATMs under management and DCC transactions processed, partly offset by the impact of the U.S. dollar strengthening against key foreign currencies and decreases in rates charged for certain debit and credit card outsourcing services. Gross profit as a percentage of revenues ("gross margin") decreased to 52.0% for 2015 from 54.4% for 2014, primarily due to decrease in rates charged for certain debit and credit card outsourcing services.

## Salaries and benefits

The decrease in salaries and benefits for 2015 compared to 2014 was primarily due to the impact of the U.S. dollar strengthening against key foreign currencies being largely offset by adding employees to support the growth in ATMs and POS devices under management. As a percentage of revenues, these costs decreased to 12.0% for 2015 from

13.1% for 2014, primarily due to growth in revenues earned from DCC and other value added service transactions on our ATMs under management, which require minimal incremental support costs.

Selling, general and administrative

Selling, general and administrative expenses for 2015 were essentially flat compared to 2014, primarily due to increased costs incurred to support the growth in ATMs under management, offset by the impact of the U.S. dollar strengthening against key foreign currencies. As a percentage of revenues, selling, general and administrative expenses decreased to 6.8% for 2015 from 7.2% for 2014, primarily due to an increase in revenues from DCC and value added services discussed above, which require minimal incremental support costs.

Table of Contents

## Depreciation and amortization

Depreciation and amortization expense increased for 2015 compared to 2014 primarily due to an increase in depreciation expense on our ATMs under management and software assets, partly offset by the impact of the U.S. dollar strengthening against key foreign currencies. As a percentage of revenues, depreciation and amortization expense decreased to 8.4% for 2015 from 8.6% for 2014, primarily due to revenue growth exceeding the growth of our ATMs under management and an increase in software capitalization.

## Operating income

Operating income increased for 2015 compared to 2014, primarily due to an increase in the number of ATMs under management and growth in revenues earned from DCC and other value added services, partly offset by the impact of the U.S. dollar strengthening against key foreign currencies. Operating income as a percentage of revenues (“operating margin”) was 24.9% for 2015 compared to 25.5% for 2014 and operating income per transaction remained at \$0.07 for 2015 and 2014. The slight decrease in operating margin was primarily due to a decrease in rates charged for certain debit and credit card management services.

## 2014 Compared to 2013

The following table summarizes the results of operations for our EFT Processing Segment for the years ended December 31, 2014 and 2013:

(dollar amounts in thousands)	Year Ended December 31,		Year-over-Year Change	
	2014	2013	Increase Amount	Increase Percent
Total revenues	\$358,636	\$296,240	\$62,396	21 %
Operating expenses:				
Direct operating costs	163,590	141,381	22,209	16 %
Salaries and benefits	47,148	40,150	6,998	17 %
Selling, general and administrative	25,730	23,141	2,589	11 %
Acquisition-related contingent consideration gain	—	(19,319)	19,319	n/m
Depreciation and amortization	30,847	29,537	1,310	4 %
Total operating expenses	267,315	214,890	52,425	24 %
Operating income	\$91,321	\$81,350	\$9,971	12 %
Transactions processed (millions)	1,262	1,188	74	6 %
ATMs as of December 31	20,364	18,311	2,053	11 %
Average ATMs	19,247	17,764	1,483	8 %

n/m - Not meaningful.

## Revenues

Our revenues for 2014 increased when compared to 2013, primarily due to an increase in the number of ATMs under management, an increase in demand for DCC and other valued added services on both our ATMs and POS devices under management, and growth in revenues from debit and credit card outsourcing services in Greece.

Average monthly revenues per ATM were \$1,553 for 2014 compared to \$1,390 for 2013. Revenues per transaction were \$0.28 for 2014 compared to \$0.25 for 2013. These increases were primarily the result of revenue growth from DCC and other value added services, both of which earn higher revenues per transaction than other ATM services.

## Direct operating costs

Direct operating costs increased for 2014 compared to 2013 primarily due to the increase in the number of ATMs under management, an increase in demand for DCC on POS devices, and increased costs relating to the growth in debit and credit card outsourcing services in Greece.



Table of Contents

Gross profit

Gross profit was \$195.0 million for 2014 compared to \$154.9 million for 2013. This increase was primarily due to the growth in revenues from DCC, growth in debit and credit card outsourcing services in Greece, and an increase in the number of transactions processed in Poland and India. Gross margin increased to 54.4% for 2014 from 52.3% for 2013, primarily due to an increase in revenues from DCC and other value added services discussed above, both of which earn a higher gross profit than other services.

Salaries and benefits

The increase in salaries and benefits for 2014 compared to 2013 was primarily due to adding employees to support the growth in ATMs and POS devices under management. As a percentage of revenues, these costs decreased to 13.1% for 2014 from 13.6% for 2013.

Selling, general and administrative

The increase in selling, general and administrative expenses for 2014 compared to 2013 was primarily due to increased costs incurred to support growth in ATMs under management and growth in DCC transactions on POS devices. As a percentage of revenues, selling, general and administrative expenses decreased to 7.2% for 2014 from 7.8% for 2013, primarily due to the increase in revenues from DCC and value added services discussed above, which require minimal incremental support costs.

Acquisition-related contingent consideration gain

In the third quarter of 2013, Euronet adjusted to fair value the acquisition-related contingent consideration liability related to Pure Commerce, based on its assessment that the performance targets for gross profit and EBITDA would not be met. The change in fair value resulted in the recognition of a \$19.3 million gain (see further discussion in Note 17, Financial Instruments and Fair Value Measurements, to the Consolidated Financial Statements).

Depreciation and amortization

Depreciation and amortization expense increased for 2014 compared to 2013 primarily due to the increase in ATMs under management discussed above, partly offset by certain software assets becoming fully amortized during 2013. As a percentage of revenues, depreciation and amortization expense decreased to 8.6% for 2014 from 10.0% for 2013, primarily due to the increase in revenues from DCC and other value added services discussed above, which require minimal incremental support costs.

Operating income

Operating income increased for 2014 compared to 2013, primarily due to an increase in the number of ATMs under management, growth in revenues earned from DCC and other value added services, and growth in revenues from debit and credit card management services in Greece, partly offset by the 2013 acquisition-related contingent consideration gain. Excluding the acquisition-related contingent consideration gain, operating margin for 2014 was 25.5% compared to 20.9% for 2013 and operating income per transaction increased to \$0.07 for 2014 from \$0.05 for 2013. These increases were primarily due to growth in revenues earned from DCC and other value added services on our ATMs under management.

Table of Contents

## epay Segment

The following table summarizes the results of operations for our epay Segment for the years ended December 31, 2015 and 2014:

(dollar amounts in thousands)	Year Ended December 31,		Year-over-Year Change	
	2015	2014	Increase (Decrease) Amount	Increase (Decrease) Percent
Total revenues	\$708,373	\$783,781	\$(75,408 )	(10 )%
Operating expenses:				
Direct operating costs	542,747	607,866	(65,119 )	(11 )%
Salaries and benefits	49,752	56,402	(6,650 )	(12 )%
Selling, general and administrative	38,272	42,542	(4,270 )	(10 )%
Depreciation and amortization	11,163	15,901	(4,738 )	(30 )%
Total operating expenses	641,934	722,711	(80,777 )	(11 )%
Operating income	\$66,439	\$61,070	\$5,369	9 %
Transactions processed (millions)	1,335	1,244	91	7 %

## Revenues

The decrease in revenues for 2015 compared to 2014 was primarily due to the impact of the U.S. dollar strengthening against key foreign currencies, a decrease in prepaid mobile transactions processed in Brazil and the U.K. and lower transactions processed and rates charged for certain transactions in the U.S. Partially offsetting the decreases was an increase in the number of non-mobile transactions processed in Germany and Australia, an increase in the number of prepaid mobile transactions processed in India and the Middle East, and an increase in voucher sales and redemptions in our cadooz subsidiary. Additionally, 2015 results included an unexpected high volume of non-mobile transactions related to promotional activities of a content partner which is uncertain to recur.

We currently expect most of our future revenue growth to be derived from: (i) additional electronic payment products sold over the base of POS terminals, (ii) value added services, (iii) developing markets or markets in which there is organic growth in the electronic top-up sector overall, and (iv) acquisitions, if available and commercially appropriate. Revenues per transaction were \$0.53 for 2015 and \$0.63 for 2014. This decrease was primarily due to the impact of the U.S. dollar strengthening against key foreign currencies and growth in the number of prepaid mobile transactions processed in India and the Middle East where revenues per transaction are considerably lower than average. The decrease in revenues per transaction was partly offset by the increase in the number of non-mobile transactions processed, for which we generally earn higher revenues per transaction than mobile transactions.

## Direct operating costs

Direct operating costs in the epay Segment include the commissions we pay to retail merchants for the distribution and sale of prepaid mobile airtime and other prepaid products, expenses required to operate POS terminals and the cost of vouchers sold and physical gifts fulfilled. The decrease in direct operating costs was primarily due to the impact of the U.S. dollar strengthening against key foreign currencies and the decrease in the number of prepaid mobile transactions processed in the U.K. and Brazil. The decreases were partly offset by the increase in vouchers redeemed in our cadooz subsidiary, non-mobile transactions processed in Germany, along with the increase in non-mobile transactions related to promotional activities described above.

Table of Contents

Gross profit

Gross profit, which represents revenues less direct costs, was \$165.6 million for 2015 compared to \$175.9 million for 2014. The decrease in gross profit was primarily due to the impact of the U.S. dollar strengthening against key foreign currencies and decreases in revenues in Brazil, the U.S. and the U.K. The decreases were partly offset by growth in non-mobile transactions processed in Germany and Australia, along with an increase in non-mobile transactions related to promotional activities. Gross margin increased to 23.4% for 2015 from 22.4% for 2014, mainly due to increase in non-mobile transactions processed, partly offset by lower gross margins realized on voucher redemptions. Gross profit per transaction decreased to \$0.12 for 2015 from \$0.14 for 2014, primarily due to the impact of the U.S. dollar strengthening against key foreign currencies and the decrease in revenues in Brazil., the U.S. and the U.K.

Salaries and benefits

The decrease in salaries and benefits for 2015 compared to 2014 was primarily due to the impact of the U.S. dollar strengthening against key foreign currencies, partly offset by an increase in headcount in Germany and India to support the increase in transactions processed as discussed above and an increase in bonus expense related to the improved results. As a percentage of revenues, salaries and benefits decreased slightly to 7.0% for 2015 from 7.2% for 2014 .

Selling, general and administrative

The decrease in selling, general and administrative expenses for 2015 compared to 2014 was primarily due to the impact of the U.S. dollar strengthening against key foreign currencies, partly offset by a write-down of certain deferred costs which were no longer recoverable under the respective contracts. As a percentage of revenues, these expenses remained at 5.4% for 2015 and 2014.

Depreciation and amortization

Depreciation and amortization expense primarily represents amortization of acquired intangible assets and the depreciation of POS terminals we install in retail stores. Depreciation and amortization expense decreased for 2015 compared to 2014 mainly due to the impact of the U.S. dollar strengthening against key foreign currencies and certain assets becoming fully depreciated without yet being replaced. As a percentage of revenues, these expenses decreased to 1.6% for 2015 from 2.0% for 2014.

Operating income

The increase in operating income for 2015 compared to 2014 was primarily due to growth in transactions processed exceeding the growth in support costs, partly offset by the net impact of the U.S. dollar strengthening against key foreign currencies and the deferred cost write-downs described above. Operating margin increased to 9.4% for 2015 from 7.8% for 2014, primarily due to the growth in transactions while costs were kept stable. Operating income per transaction was \$0.05 for both 2015 and 2014.

Table of Contents

## 2014 Compared to 2013

The following table summarizes the results of operations for our epay Segment for the years ended December 31, 2014 and 2013:

(dollar amounts in thousands)	Year Ended December 31,		Year-over-Year Change		
	2014	2013	Increase (Decrease) Amount	Increase (Decrease) Percent	
Total revenues	\$783,781	\$748,680	\$35,101	5	%
Operating expenses:					
Direct operating costs	607,866	575,787	32,079	6	%
Salaries and benefits	56,402	57,251	(849 )	(1 )	%
Selling, general and administrative	42,542	41,000	1,542	4	%
Goodwill impairment	—	18,425	(18,425 )	n/m	
Depreciation and amortization	15,901	16,756	(855 )	(5 )	%
Total operating expenses	722,711	709,219	13,492	2	%
Operating income	\$61,070	\$39,461	\$21,609	55	%
Transactions processed (millions)	1,244	1,115	129	12	%

n/m - Not meaningful.

**Revenues**

The increase in revenues for 2014 compared to 2013 was primarily due to increased demand for non-mobile products in Germany. These increases were partly offset by revenue declines in Brazil, Australia and the U.S. The decrease in Brazil was due to the continued impact of changes in certain mobile operators' distribution strategies, which limited our ability to distribute certain products within certain markets in Brazil. The decreases in transactions processed in Australia and the U.S. were caused by increased competitive pressures.

Revenues per transaction were \$0.63 for 2014 and \$0.67 for 2013. This decrease was primarily due to growth in the number of prepaid mobile transactions processed in India where revenues per transaction are considerably lower than average. The decrease in revenues per transaction was partly offset by the increase in the number of non-mobile transactions processed in Germany, for which we generally earn higher revenues per transaction than mobile transactions.

**Direct operating costs**

The increase in direct operating costs was primarily due to the increase in non-mobile transactions processed in Germany, partly offset by the decrease in the number of transactions processed in Brazil, Australia and the U.S.

**Gross profit**

Gross profit was \$175.9 million for 2014 compared to \$172.9 million for 2013. The increase in gross profit was primarily due to growth in non-mobile transactions processed in Germany, partly offset by the decrease in revenues in Brazil. Gross margin decreased to 22.4% for 2014 from 23.1% for 2013 and gross profit per transaction decreased to \$0.14 for 2014 from \$0.16 for 2013. These decreases were primarily due to the decrease in the revenues in Brazil, partly offset by the increase in non-mobile transactions processed in Germany discussed above.

**Salaries and benefits**

The decrease in salaries and benefits for 2014 compared to 2013 was primarily due to lower headcount in Australia and Brazil in response to the decrease in the number of transactions processed, largely offset by the increase in headcount in Germany to support the increase in revenues discussed above. As a percentage of revenues, salaries and benefits decreased to 7.2% for 2014 from 7.6% for 2013.



Table of Contents

## Selling, general and administrative

The increase in selling, general and administrative expenses for 2014 compared to 2013 was primarily due to an increase in marketing and bad debt expenses. As a percentage of revenues, these expenses decreased slightly to 5.4% for 2014 from 5.5% for 2013, primarily due to the increases in revenues in Germany discussed above.

## Goodwill impairment

During the fourth quarter of 2013, epay Australia and epay Spain recorded non-cash charges for impairment of goodwill of \$12.3 million and \$6.1 million, respectively (see further discussion in Note 8, Goodwill and Acquired Intangible Assets, Net to the Consolidated Financial Statements).

## Depreciation and amortization

Depreciation and amortization expense decreased for 2014 compared to 2013 mainly due to certain acquired intangible assets becoming fully amortized during the first quarter of 2013. As a percentage of revenues, these expenses decreased to 2.0% for 2014 from 2.2% for 2013.

## Operating income

Operating income for 2013 includes non-cash goodwill impairment charges of \$18.4 million. Excluding the impairment charges, operating income was \$61.1 million for 2014 and \$57.9 million for 2013. This increase was primarily due to the increase in gross profit discussed above, along with decreases in salaries and benefits and depreciation and amortization expenses, partly offset by increases in marketing and bad debt expenses. Excluding the 2013 impairment charges, operating margin was 7.8% for 2014 compared to 7.7% for 2013 and operating income per transaction was \$0.05 for both 2014 and 2013.

## Money Transfer Segment

The following table summarizes the results of operations for our Money Transfer Segment for the years ended December 31, 2015 and 2014:

(dollar amounts in thousands)	Year Ended December 31,		Year-over-Year Change		
	2015	2014	Increase Amount	Increase Percent	
Total revenues	\$685,635	\$523,150	\$162,485	31	%
Operating expenses:					
Direct operating costs	358,154	263,253	94,901	36	%
Salaries and benefits	137,077	115,419	21,658	19	%
Selling, general and administrative	85,096	77,305	7,791	10	%
Depreciation and amortization	26,650	24,432	2,218	9	%
Total operating expenses	606,977	480,409	126,568	26	%
Operating income	\$78,658	\$42,741	\$35,917	84	%
Transactions processed (millions)	68.7	48.5	20.2	42	%

Table of Contents

## Revenues

The increase in revenues for 2015 compared to 2014 was primarily due to an increase in the number of transactions processed, largely driven by growth in our U.S. and foreign agent and correspondent payout networks, the 2014 launch of our Walmart money transfer product and the impacts of our May 2014 acquisition of EIM (FX) Limited, which owns subsidiaries that operate under the brand name HiFX, our June 2015 acquisition of IME (M) Sdn Bhd ("IME"), our Malaysian money transfer operation, and our July 2015 acquisition of XE Corporation ("XE"). The increases were partly offset by the U.S. dollar strengthening against key foreign currencies.

Revenues per transaction decreased to \$9.98 for 2015 from \$10.79 for 2014. The decrease was primarily due to the impact of the U.S. dollar strengthening against key foreign currencies and the launch of our Walmart money transfer product during the second quarter of 2014, which earns lower revenues per transaction than other money transfer services. Partly offsetting these decreases in revenues per transaction was the impact of the HiFX transactions which earn higher revenues per transaction than other money transfer services.

## Direct operating costs

Direct operating costs in the Money Transfer Segment primarily represent commissions paid to agents who originate money transfers on our behalf and correspondent agents who disburse funds to the customers' destination beneficiaries, together with less significant costs, such as bank depository fees and cash handling costs. The increase in direct operating costs in 2015 compared to 2014 was primarily due to the growth in the number of money transfer transactions processed in both the U.S. and non-U.S. locations. Partly offsetting the increases in direct operating costs was the impact of the U.S. dollar strengthening against key foreign currencies.

## Gross profit

Gross profit, which represents revenues less direct costs, was \$327.5 million for 2015 compared to \$259.9 million for 2014. The increase in gross profit was primarily due to the growth in the number of money transfer transactions processed in both the U.S. and foreign markets and the impact of our acquisitions of HiFX, IME and XE. Partly offsetting the increases in gross profit was the impact of the U.S. dollar strengthening against key foreign currencies. Gross margin was 47.8% for 2015 compared to 49.7% for 2014. This decrease was primarily due to the growth of our Walmart money transfer product in the U.S., which earns a lower gross profit per transaction than other money transfer services, partly offset by the impact of our acquisition of HiFX, which has higher margin transactions.

## Salaries and benefits

The increase in salaries and benefits for 2015 compared to 2014 was primarily due to the impact of our acquisitions of HiFX, IME and XE, an increase in headcount as a result of the launch of our Walmart money transfer product and expansion of our operations in foreign markets. As a percentage of revenues, salaries and benefits improved to 20.0% for 2015 from 22.1% for 2014, primarily due to increased revenues related to the increase in the number of money transfers processed, which did not require similar increases in support costs.

## Selling, general and administrative

Selling, general and administrative expenses increased for 2015 compared to 2014, primarily due to the impact of our acquisitions of HiFX, IME and XE and expenses incurred to support the expansion of our money transfer products in both the U.S. and foreign markets. Partly offsetting the increases in selling, general and administrative expenses were the impact of the U.S. dollar strengthening against key foreign currencies, a decrease in bad debt expense and the write-down of certain customer acquisition costs in 2014. As a percentage of revenues, selling, general and administrative expenses decreased to 12.4% for 2015 from 14.8% for 2014, primarily due to an increase in the number of money transfers processed, which did not require a similar increase in support costs.

## Depreciation and amortization

Depreciation and amortization primarily represents amortization of acquired intangible assets and depreciation of money transfer terminals, computers and software, leasehold improvements and office equipment. For 2015, depreciation and amortization expense increased compared to 2014 primarily due to the amortization of intangible assets related to the acquisition of HiFX, IME and XE and investments made to support the growth in the business. Partly offsetting these increases were the impact of the U.S. dollar strengthening against key foreign currencies and certain intangible assets becoming fully amortized in the first quarter of 2015. As a percentage of revenues, depreciation and amortization expense decreased to 3.9% for 2015 from 4.7% for 2014, primarily due to certain

intangible assets becoming fully amortized in the first quarter of 2015 and the effect of revenues earned from our Walmart money transfer product, which required less capital investment than other money transfer products.

Table of Contents

## Operating income

The increase in operating income for 2015 compared to 2014, was primarily due to the growth in transactions processed, the impact of our acquisitions of HiFX, IME and XE, the write-down of certain customer acquisition costs in 2014 and lower bad debt expense. These increases in operating income were partly offset by an increase in salaries and benefits and other costs to support the growth in the business and the impact of the U.S. dollar strengthening against key foreign currencies. As a result, operating margin increased to 11.5% for 2015 from 8.2% for 2014 and operating income per transaction increased to \$1.14 for 2015 from \$0.88 for 2014.

## 2014 Compared to 2013

The following table presents the results of operations for the years ended December 31, 2014 and 2013 for the Money Transfer Segment.

(dollar amounts in thousands)	Year Ended December 31,		Year-over-Year Change		
	2014	2013	Increase Amount	Increase Percent	
Total revenues	\$523,150	\$370,365	\$152,785	41	%
Operating expenses:					
Direct operating costs	263,253	177,783	85,470	48	%
Salaries and benefits	115,419	88,222	27,197	31	%
Selling, general and administrative	77,305	54,870	22,435	41	%
Depreciation and amortization	24,432	18,395	6,037	33	%
Total operating expenses	480,409	339,270	141,139	42	%
Operating income	\$42,741	\$31,095	\$11,646	37	%
Transactions processed (millions)	48.5	35.2	13.3	38	%

## Revenues

The increase in revenues for 2014 compared to 2013 was primarily due to an increase in the number of transactions processed, largely driven by the 2014 launch of our Walmart money transfer product in the U.S., growth in our agent and correspondent payout networks in foreign markets and the impact of our May 2014 acquisition of HiFX.

Revenues per transaction increased to \$10.79 for 2014 from \$10.52 for 2013. The increase was primarily due to the impact of our acquisition of HiFX, partly offset by the launch of our Walmart money transfer product during the second quarter of 2014, which earns lower revenues per transaction than other money transfer services.

## Direct operating costs

The increase in direct operating costs in 2014 compared to 2013 was primarily due to the growth in the number of money transfer transactions processed in both the U.S. and non-U.S. locations.

## Gross profit

Gross profit was \$259.9 million for 2014 compared to \$192.6 million for 2013. The increase in gross profit was primarily due to the growth in the number of money transfer transactions processed in both the U.S. and foreign markets and the impact of our acquisition of HiFX. Gross margin was 49.7% for 2014 compared to 52.0% for 2013. This decrease was primarily due to the launch of our Walmart money transfer product in the U.S., which earns a lower gross profit per transaction than other money transfer services, partly offset by the impact of our acquisition of HiFX, which has higher margin transactions.

## Salaries and benefits

The increase in salaries and benefits for 2014 compared to 2013 was primarily due to the impact of our acquisition of HiFX and an increase in headcount as a result of the launch of our Walmart money transfer product, the development of our online money transfer service and expansion of our operations in foreign markets. As a percentage of revenues, salaries and benefits decreased to 22.1% for 2014 from 23.8% for 2013, primarily due to increased revenues related to the increase in the number of money transfers processed in the U.S., which did not require similar increases in support costs.



Table of Contents

## Selling, general and administrative

Selling, general and administrative expenses increased for 2014 compared to 2013, primarily due to the impact of our acquisition of HiFX, an increase in professional fees, including acquisition-related costs, an increase in bad debt expense, expenses incurred to support the expansion of our money transfer products in both the U.S. and foreign markets and the write-down of certain customer acquisition costs. As a percentage of revenues, selling, general and administrative expenses remained at 14.8% for 2014 and 2013.

## Depreciation and amortization

For 2014, depreciation and amortization expense increased compared to 2013 primarily due to the amortization of intangible assets related to the acquisition of HiFX. As a percentage of revenues, depreciation and amortization expense decreased to 4.7% for 2014 from 5.0% for 2013, primarily due to the revenues earned from our Walmart money transfer product, which required less capital investment than other money transfer products.

## Operating income

Operating income increased by \$11.6 million for 2014 compared to 2013, primarily due to the growth in transactions processed and the impact of our acquisition of HiFX, partly offset by an increase in professional fees, bad debt expense, salaries and benefits related to development of our online money transfer service and the write-down of certain customer acquisition costs. As a result, operating margin decreased slightly to 8.2% for 2014 from 8.4% for 2013 and operating income per transaction remained at \$0.88 for both 2014 and 2013.

## Corporate Services

The components of Corporate Services' operating expenses for 2015, 2014 and 2013 were as follows:

(dollar amounts in thousands)	Year Ended December 31,			Year-over-Year Change			
	2015	2014	2013	2015 Increase (Decrease) Percent	2014 Increase (Decrease) Percent	2015 Increase (Decrease) Percent	2014 Increase (Decrease) Percent
Salaries and benefits	\$26,969	\$24,251	\$22,621	11	%	7	%
Selling, general and administrative	7,276	11,875	10,509	(39)	)%	13	%
Depreciation and amortization	405	275	365	47	%	(25)	)%
Total operating expenses	\$34,650	\$36,401	\$33,495	(5)	)%	9	%

## Corporate operating expenses

Overall, operating expenses for Corporate Services decreased 5% for 2015 compared to 2014, driven by a decrease in selling, general and administrative expenses, partly offset by an increase in salaries and benefits expense. The decrease in selling, general and administrative expenses was primarily due to a 2014 settlement of a dispute related to a prior period potential acquisition and charges recorded in 2014 related to unclaimed property. The increase in salaries and benefits expense was due to salary increases, increased headcount to support the growth in the Company and increased incentive and share-based compensation related to the improvement in Company results.

Overall, operating expenses for Corporate Services increased 9% for 2014 compared to 2013, driven by an increase in salaries and benefits expense as well as selling, general and administrative expenses. The increase in salaries and benefits expense was due to increased headcount to support the growth in the Company and increased share-based and incentive compensation related to the improvement in Company results. The increase in selling, general and administrative expenses was primarily due to an increase in acquisition-related costs, the settlement of a dispute related to a prior period potential acquisition and charges related to unclaimed property.



Table of Contents

## Other Expense, Net

(dollar amounts in thousands)	Year Ended December 31,			Year-over-Year Change			
	2015	2014	2013	2015 Increase (Decrease) Percent	2014 Increase Percent		
Interest income	\$2,170	\$2,549	\$1,998	(15 )%	28	%	
Interest expense	(24,814 )	(12,330 )	(10,139 )	101 %	22	%	
(Loss) income from unconsolidated affiliates	—	(46 )	206	n/m	n/m		
Other gains (losses), net	315	(1,755 )	2,398	n/m	n/m		
Foreign currency exchange (loss) gain, net	(41,418 )	(5,646 )	2,211	n/m	n/m		
Other expense, net	\$(63,747 )	\$(17,228 )	\$(3,326 )	n/m	n/m		

n/m — Not meaningful.

**Interest income**

The decrease in interest income for 2015 compared to 2014 was primarily due to the impact of the U.S. dollar strengthening against key foreign currencies, partly offset by interest earned by HiFX on deposits collected from customers. The increase in interest income for 2014 compared to 2013 was primarily due to the interest earned by HiFX from the date of its acquisition.

**Interest expense**

The increase in interest expense for 2015 compared to 2014 was primarily due to the non-cash accretion of the convertible notes issued in October 2014, along with higher average levels of debt outstanding in 2015 compared to 2014 related to acquisitions made during 2015. The increase in interest expense for 2014 compared to 2013 was primarily due to the non-cash accretion of the convertible notes along with slightly higher average levels of debt outstanding in 2014 compared to 2013.

**(Loss) income from unconsolidated affiliates**

The decrease in loss from unconsolidated affiliates for 2015 compared to 2014 is the result of lower losses in our 49% equity investment in Euronet ETT (China). Loss from unconsolidated affiliates during 2014 primarily represents the equity in the losses of our investment in Euronet ETT. The decrease in income for 2014 from 2013 was primarily due to the sale of the Company's 40% equity investment in epay Malaysia in July 2013. For 2013, income primarily represented our 40% equity investment in epay Malaysia and our 47% investment in Euronet Indonesia.

**Other gains (losses), net**

The gain in 2015 is primarily the result of the sale of a minor line of business by one of our subsidiaries.

In 2014, we recorded a \$1.8 million loss on a loan made to a start-up enterprise as it became probable that we would not be repaid.

In 2013, we completed the sale of our 40% equity method investment in epay Malaysia, which resulted in the recognition of a \$2.8 million gain. Additionally, we recorded a \$0.4 million impairment charge to a cost basis investment in an unconsolidated affiliate.

**Foreign currency exchange (loss) gain, net**

Foreign exchange activity includes gains and losses on certain foreign exchange derivative contracts and the impact of remeasurement of assets and liabilities denominated in foreign currencies. Assets and liabilities denominated in currencies other than the local currency of each of our subsidiaries give rise to foreign currency exchange gains and losses. Foreign currency exchange gains and losses that result from remeasurement of these assets and liabilities are recorded in net income. The majority of our foreign currency exchange gains or losses are due to the remeasurement of intercompany loans which are not considered a long-term investment in nature and are in a currency other than the functional currency of one of the parties to the loan. For example, we make intercompany loans based in euros from our corporate division, which is comprised of U.S. dollar functional currency entities, to certain European entities that



use the euro as the functional currency. As the U.S. dollar strengthens against the euro, foreign currency exchange losses are recognized by our corporate entities because the number of

Table of Contents

euros to be received in settlement of the loans decreases in U.S. dollar terms. Conversely, in this example, in periods where the U.S. dollar weakens, our corporate entities will record foreign currency exchange gains.

We recorded net foreign currency exchange losses of \$41.4 million and \$5.6 million in 2015 and 2014, respectively, and a net foreign currency exchange gain of \$2.2 million in 2013. These realized and unrealized foreign currency exchange gains and losses primarily reflect the respective weakening and strengthening of the U.S. dollar against the currencies of the countries in which we operate. Additionally, the 2015 loss includes the reclassification to the income statement of \$0.8 million of accumulated other comprehensive loss related to translation adjustments resulting from the liquidation of a minor subsidiary.

## Income Tax Expense

Our effective income tax rates as reported and as adjusted are calculated below:

(dollar amounts in thousands)	Year Ended December 31,		
	2015	2014	2013
Income before income taxes	\$141,094	\$141,503	\$115,085
Income tax expense	(42,602 )	(40,015 )	(27,732 )
Net income	\$98,492	\$101,488	\$87,353
Effective income tax rate	30.2 %	28.3 %	24.1 %
Income before income taxes	\$141,094	\$141,503	\$115,085
Adjust: Goodwill impairment	—	—	(18,425 )
Adjust: Acquisition-related contingent consideration gain	—	—	19,319
Adjust: Other gains, net	315	(1,755 )	2,398
Adjust: Foreign currency exchange (loss) gain, net	(41,418 )	(5,646 )	2,211
Income before income taxes, as adjusted	\$182,197	\$148,904	\$109,582
Income tax expense	\$(42,602 )	\$(40,015 )	\$(27,732 )
Adjust: Income tax expense attributable to foreign currency exchange (loss) gain, net	(1,018 )	(1,558 )	(303 )
Income tax expense, as adjusted	\$(41,584 )	\$(38,457 )	\$(27,429 )
Effective income tax rate, as adjusted	22.8 %	25.8 %	25.0 %

We calculate our effective income tax rate by dividing income tax expense by pre-tax book income. Our effective income tax rates were 30.2%, 28.3% and 24.1% for the years ended December 31, 2015, 2014 and 2013, respectively. The effective income tax rates were significantly influenced by the other non-operating gains (losses) and the impact of foreign currency exchange gains (losses) and for the 2013 year, the effective income tax rate was also influenced by the acquisition-related contingent consideration gain and the non-cash goodwill impairment charges. Excluding these items from pre-tax income, as well as the related tax effects for these items, our effective income tax rates were 22.8%, 25.8% and 25.0% for the years ended December 31, 2015, 2014 and 2013, respectively.

The effective income tax rate, as adjusted, for 2015 was lower than the applicable statutory income tax rate of 35% primarily because of our U.S. tax position and the realization of deferred tax benefits in various jurisdictions. For the years ended December 31, 2015, 2014 and 2013, we have recorded a valuation allowance against our U.S. net deferred tax asset position as activity generates U.S. federal income tax net operating losses and as a result, it is more likely than not that a tax benefit will not be realized. During periods when the Company generates U.S. pre-tax book income but has tax temporary differences that create tax losses, no current income tax expense or deferred tax benefit is recognized. The effective income tax rate, as adjusted, for 2015 was lower than that for 2014 because of our U.S. tax position and the realization of deferred tax benefits in various jurisdictions. There was no material change in the effective tax rate, as adjusted, for 2014 compared to 2013.

Table of Contents

We determine income tax expense based upon enacted tax laws applicable in each of the taxing jurisdictions where we conduct business. Based on our interpretation of such laws, and considering the evidence of available facts and circumstances and baseline operating forecasts, we have accrued the estimated income tax effects of certain transactions, business ventures, contractual and organizational structures, and the estimated future reversal of timing differences. Should a taxing jurisdiction change its laws or dispute our conclusions, or should management become aware of new facts or other evidence that could alter our conclusions, the resulting impact to our estimates could have a material adverse effect on our results of operations and financial condition.

Income before income taxes, as adjusted, income tax expense, as adjusted and effective income tax rate, as adjusted are non-GAAP financial measures that management believes are useful for understanding why our effective income tax rates are significantly different than would be expected. These non-GAAP measures are used by management to conduct and evaluate its business during its regular review of operating results for the periods presented.

## Net Loss Attributable To Noncontrolling Interest

Net loss attributable to noncontrolling interests was \$0.3 million, \$0.2 million and \$0.6 million for 2015, 2014 and 2013, respectively. The increase in losses in 2015 is primarily attributable to the increase in recognition of the minority shareholders' share of losses by our Universal Solutions Partners subsidiary. The decrease in the loss attributable to noncontrolling interest in 2014 compared to 2013 was primarily due to the goodwill impairment charge recorded by our Movilcarga subsidiary in 2013. Noncontrolling interests represent the elimination of net income or loss attributable to the minority shareholders' portion of the following consolidated subsidiaries that are not wholly owned:

Subsidiary	Percent Owned (1)	Segment - Country
Movilcarga	95%	epay - Spain
Euronet China	75%	EFT - China
Euronet Pakistan	70%	EFT - Pakistan
Universal Solutions Partners	51%	EFT - UAE

(1) Percent owned as of December 31, 2015.

## Net Income Attributable to Euronet

Net income attributable to Euronet was \$98.8 million, \$101.6 million and \$88.0 million for 2015, 2014 and 2013, respectively. As more fully discussed above, the decrease of \$2.8 million for 2015 as compared to 2014 is primarily the result of the \$35.8 million increase in foreign currency exchange loss being largely offset by improved operating results which included a \$46.1 million increase in operating income. Additionally, interest expense increased \$12.5 million and income tax expense increased \$2.6 million. Other non-operating items increased net income by \$2.0 million.

The increase of \$13.6 million for 2014 as compared to 2013 includes a \$19.3 million acquisition-related contingent consideration gain in 2013, partially offset by an \$18.4 million non-cash impairment charge of goodwill in 2013. The increase in net income for 2014 is primarily due to a \$41.2 million increase in operating income (excluding the contingent consideration gain and impairment charges) and an increase in interest income of \$0.6 million. These increases were partly offset by an increase in income tax expense of \$12.3 million, an increase in foreign currency exchange loss of \$7.9 million, an increase in other non-operating losses of \$4.2 million and an increase in interest expense of \$2.2 million. Other non-operating items decreased net income by \$0.7 million.



Table of Contents

## Translation Adjustment

Translation gains and losses are the result of translating our foreign entities' balance sheets from local functional currency to the U.S. dollar reporting currency prior to consolidation and are recorded in comprehensive income. As required by U.S. GAAP, during this translation process, asset and liability accounts are translated at current foreign currency exchange rates and equity accounts are translated at historical rates. Historical rates represent the rates in effect when the balances in our equity accounts were originally created. By using this mix of rates to convert the balance sheet from functional currency to U.S. dollars, differences between current and historical exchange rates generate this translation adjustment.

We recorded net losses on translation adjustments of \$67.8 million and \$87.7 million for 2015 and 2014, respectively, and a net gain of \$0.8 million for 2013. During 2015 and 2014, the U.S. dollar strengthened compared to most currencies, resulting in translation losses which were recorded in comprehensive income. During 2013, the U.S. dollar weakened compared to certain currencies and strengthened compared to others and the net result was a translation gain, which was recorded in comprehensive income.

## Liquidity and Capital Resources

## Working capital

As of December 31, 2015, we had working capital of \$227.1 million, which is calculated as the difference between total current assets and total current liabilities, compared to working capital of \$257.0 million as of December 31, 2014. Our ratio of current assets to current liabilities was 1.25 as of December 31, 2015, compared to 1.30 as of December 31, 2014.

We require substantial working capital to finance operations. The Money Transfer Segment funds the payout of the majority of our consumer-to-consumer money transfer services before receiving the benefit of amounts collected from customers by agents. Working capital needs increase due to weekends and international banking holidays. As a result, we may report more or less working capital for the Money Transfer Segment based solely upon the day on which the reporting period ends. The epay Segment produces positive working capital, but much of it is restricted in connection with the administration of its customer collection and vendor remittance activities. In our EFT Processing Segment, we obtain the majority of the cash required to operate our ATMs through various cash supply arrangements, the amount of which is not recorded on Euronet's Consolidated Balance Sheets. In certain countries, we fund the cash required to operate our ATM network from borrowings under the revolving credit facility and cash flows from operations. As of December 31, 2015, we had approximately \$107.6 million of our own cash in use or designated for use in our ATM network, which is recorded in cash and cash equivalents on Euronet's Consolidated Balance Sheet. We had cash and cash equivalents of \$457.5 million as of December 31, 2015, of which \$357.0 million was held outside of the United States and is expected to be indefinitely reinvested for continued use in foreign operations. Repatriation of these assets to the U.S. could have negative tax consequences.

The following table identifies cash and cash equivalents provided by/(used in) our operating, investing and financing activities for the years ended December 31, 2015, 2014 and 2013 (in thousands):

Liquidity	Year Ended December 31,		
	2015	2014	2013
Cash and cash equivalents provided by (used in):			
Operating activities	\$215,054	\$235,027	\$169,332
Investing activities	(193,983 )	(153,032 )	(69,474 )
Financing activities	(1,190 )	218,081	(91,216 )
Effect of foreign currency exchange rate changes on cash and cash equivalents	(30,373 )	(41,892 )	(251 )
(Decrease) increase in cash and cash equivalents	\$(10,492 )	\$258,184	\$8,391

Operating cash flow

Cash flows provided by operating activities were \$215.1 million for 2015 compared to \$235.0 million for 2014. The decrease was primarily due to fluctuations in working capital mainly associated with the timing of the settlement processes with content providers in the epay Segment and with correspondents in the Money Transfer Segment, partly offset by improved operating results before the non-cash impacts of foreign currency exchange losses.

Table of Contents

Cash flows provided by operating activities were \$235.0 million for 2014 compared to \$169.3 million for 2013. The increase was primarily due to a combination of improved operating results and fluctuations in working capital mainly associated with the timing of the settlement processes with content providers in the epay Segment and with correspondents in the Money Transfer Segment.

## Investing activity cash flow

Cash flows used in investing activities were \$194.0 million for 2015 compared to \$153.0 million for 2014. Purchases of property and equipment were \$74.6 million and \$63.1 million for 2015 and 2014, respectively. Cash used for acquisitions was \$114.0 million for 2015 compared to \$84.7 million for 2014. Cash used for software development and long-term assets totaled \$6.4 million for 2015 and \$6.0 million for 2014. Other investing activities consist mainly of proceeds from the sale of property and equipment of \$1.4 million and \$0.7 million for 2015 and 2014, respectively. Cash flows used in investing activities were \$153.0 million for 2014 compared to \$69.5 million for 2013. Purchases of property and equipment were \$63.1 million and \$40.9 million for 2014 and 2013, respectively. Cash used for acquisitions in 2014 was \$84.7 million compared to \$30.8 million for 2013. Cash used for software development and long-term assets totaled \$6.0 million for 2014 and \$6.3 million for 2013. Additionally, we received \$7.6 million of net proceeds from the sale of an equity investment during 2013. Other investing activities consist mainly of proceeds from the sale of property and equipment of \$0.7 million and \$0.9 million for 2014 and 2013, respectively.

## Financing activity cash flow

Cash flows used in financing activities were \$1.2 million for 2015 compared to cash flows provided by financing activities of \$218.1 million for 2014. Our financing activities for 2014 included \$411.5 million of proceeds from the issuance of long-term debt, mainly from convertible notes. Net repayments of debt obligations were \$2.3 million in 2015 compared to \$128.3 million for 2014. We generally borrow amounts under our revolving credit facility seasonally to fund our independent ATM network as well as several times each month to support the short-term cash needs of our Money Transfer Segment in order to fund the correspondent network in advance of collecting remittance amounts from the agency network. These borrowings related to the Money Transfer Segment are repaid over a very short period of time, generally within a few days. As a result of this, during 2015 we had a total of \$1,321.6 million in borrowings and \$1,318.8 million in repayments under our revolving credit facility. During 2015, we used \$5.2 million for repayments of long-term debt obligations compared to \$4.8 million in 2014. Repayments of short-term debt obligations were \$1.8 million in 2015 compared to borrowings of \$4.3 million in 2014. Additionally, for 2015 and 2014, we paid \$3.2 million and \$2.5 million, respectively, for capital lease obligations. We used \$6.1 million and \$66.4 million for the repurchase of shares during 2015 and 2014, respectively. Debt issuance costs were \$13.3 million in 2014 associated with the convertible notes issuance and the credit facility amendment described below. Further, we received proceeds of \$10.5 million and \$11.1 million during 2015 and 2014, respectively, for the issuance of stock in connection with our Stock Incentive Plan. Other financing activities provided cash of \$1.7 million and \$1.6 million during 2015 and 2014, respectively.

Cash flows provided by financing activities were \$218.1 million for 2014 compared to cash flows used in financing activities of \$91.2 million for 2013. Our financing activities for 2014 consisted of \$411.5 million of proceeds from the issuance of long-term debt, mainly from convertible notes. Net repayments of debt obligations were \$128.3 million in 2014 compared to \$96.2 million for 2013. During 2014, we used \$4.8 million for repayments of long-term debt obligations compared to \$10.1 million in 2013. Borrowings on short-term debt obligations were \$4.3 million and \$1.3 million in 2014 and 2013, respectively. Additionally, for 2014 and 2013, we paid \$2.5 million and \$2.6 million, respectively, for capital lease obligations. We used \$66.4 million and \$1.9 million for the repurchase of shares during 2014 and 2013, respectively. Debt issuance costs were \$13.3 million in 2014 associated with the convertible notes issuance and the credit facility amendment described below. Further, we received proceeds of \$11.1 million and \$14.7 million during 2014 and 2013, respectively, for the issuance of stock in connection with our Stock Incentive Plan. We used \$7.9 million during 2013 for the acquisition of subsidiary shares from holders of noncontrolling interests. Other financing activities provided cash of \$1.6 million and \$1.3 million during 2014 and 2013, respectively.

## Table of Contents

### Other sources of capital

**Credit Facility** — As of December 31, 2015, we had a \$675 million senior secured credit facility that matures on April 9, 2019 (the "Credit Facility") consisting of a \$590 million revolving credit facility, a \$10 million India revolving credit facility and an \$75 million term loan ("Term Loan A"), which had been reduced to \$67.0 million through principal amortization payments. The revolving credit facility allows for borrowings in U.S. dollars, euros, British pounds, Australian dollars and/or Indian rupees and contains a \$200 million sublimit for the issuance of letters of credit and a \$25 million sublimit for swingline loans. We use the revolving credit facility primarily to fund working capital requirements which are expected to increase as we expand the Money Transfer business and our independent ATM network. Based on our current projected working capital requirements, we anticipate that our revolving credit facility will be sufficient to fund our working capital needs.

As of December 31, 2015, fees and interest on borrowings varied based upon the Company's consolidated total leverage ratio (as defined in the Credit Agreement) and are based, in the case of letter of credit fees, on a margin, and in the case of interest, on a margin over LIBOR or a margin over the base rate, as selected by us, with the applicable margin ranging from 1.375% to 2.375% for LIBOR loans and 0.375% to 1.375% for base rate loans.

As of December 31, 2015, we had borrowings of \$67.0 million outstanding under the term loan. We had \$7.7 million of borrowings and \$42.0 million of stand-by letters of credit outstanding under the revolving credit facility as of December 31, 2015. The remaining \$550.3 million under the revolving credit facility was available for borrowing. As of December 31, 2015, the weighted average interest rates under the revolving credit facility and Term Loan A were 10.1% and 1.8%, respectively, excluding amortization of deferred financing costs. The weighted average interest rate under the revolving credit facility was higher than the Term Loan A due to the higher borrowing rate related to the India credit facility.

**Convertible debt** — On October 30, 2014, we completed the sale of \$402.5 million of Convertible Senior Notes due 2044 ("Convertible Notes"). The Convertible Notes have an interest rate of 1.5% per annum payable semi-annually in April and October, and are convertible into shares of Euronet Common Stock at a conversion price of approximately \$72.18 per share if certain conditions are met (relating to the closing prices of Euronet Common Stock exceeding certain thresholds for specified periods). Holders of the Convertible Notes have the option to require us to purchase their notes at par on October 1, 2020, and have additional options to require us to purchase their notes at par on October 1, 2024, 2029, 2034, and 2039, or upon a change in control of the Company. In connection with the issuance of the Convertible Notes, we recorded \$10.7 million in debt issuance costs, which are being amortized through October 1, 2020.

The proceeds from the issuance of the Convertible Notes were used to repay borrowings on the revolving credit facility and for general working capital purposes.

**Other debt obligations** — Short-term debt obligations at December 31, 2015 were primarily comprised of \$7.0 million of payments due in 2016 under the term loan. Certain of our subsidiaries also have available credit lines and overdraft facilities to generally supplement short-term working capital requirements, when necessary. As of December 31, 2015, there was \$5.0 million due in 2016 under these arrangements.

### Other uses of capital

**Capital expenditures and needs** — Total capital expenditures for 2015 were \$81.3 million. These capital expenditures were primarily for the purchase of ATMs to expand our IAD network in Europe and meet contractual requirements in Poland and India, the purchase and installation of ATMs in key under-penetrated markets, the purchase of POS terminals for the epay and Money Transfer Segments, and office, data center and company store computer equipment and software. Total capital expenditures for 2016 are currently estimated to be approximately \$75 million to \$85 million.

At current and projected cash flow levels, we anticipate that cash generated from operations, together with cash on hand and amounts available under our revolving credit facility and other existing and potential future financing will be sufficient to meet our debt, leasing, contingent acquisition and capital expenditure obligations. If our capital resources are not sufficient to meet these obligations, we will seek to refinance our debt and/or issue additional equity under terms acceptable to us. However, we can offer no assurances that we will be able to obtain favorable terms for the



refinancing of any of our debt or other obligations or for the issuance of additional equity.

Share repurchase plan

In September 2013, our Board of Directors authorized a stock repurchase program ("2013 Program") allowing us to repurchase up to \$100 million in value or 5 million shares of our Common Stock through September 19, 2015. During 2015, the Company repurchased 1,600 shares at an average purchase price per share of \$53.07 for a total value of \$0.1 million. The 2013 program expired in September 2015.

Table of Contents

In January 2016, the Company announced that its Board of Directors authorized a stock repurchase program through December 17, 2017 ("2016 program") allowing the Company to repurchase up to \$100 million in value or 5 million shares of its Common Stock. Repurchases under the 2016 program may take place in the open market or in privately negotiated transactions, including derivative transactions, and may be made under a Rule 10b5-1 plan.

Acquisitions

On June 17, 2015, the Company completed the acquisition of all of the capital stock of IME (M) Sdn Bhd and certain affiliated companies ("IME") pursuant to a Share Purchase Agreement (the "Purchase Agreement") among the Company and the selling shareholders of IME (the "Sellers"). IME is a leading Malaysian-based money transfer provider and provided the Money Transfer Segment with immediate entry into the Asian and Middle East send markets.

Under the terms of the Purchase Agreement, the Sellers received purchase consideration (the "Purchase Consideration") of \$76.7 million in cash and 49,941 shares of Euronet common stock, with a fair value at date of acquisition of \$3.0 million. A portion of the Purchase Consideration was placed in escrow at closing as security for the Sellers' indemnification and other obligations under the Purchase Agreement. Any Purchase Consideration remaining in escrow will be released to the Sellers at various defined dates over five years following the closing date, net of any pending indemnification or other claims under the Purchase Agreement.

On July 2, 2015, the Company completed the acquisition of all of the capital stock of XE Corporation, a global leader in digital foreign exchange information. XE Corporation is a Canadian company which operates the XE.com and x-rates.com websites, providing currency-related data and international payments services.

Under the terms of the purchase, the Company paid purchase consideration of \$79.9 million in cash and 642,912 shares of Euronet common stock, with a fair value at date of acquisition of \$40.1 million.

Inflation and functional currencies

Generally, the countries in which we operate have experienced low and stable inflation in recent years. Therefore, the local currency in each of these markets is the functional currency. Currently, we do not believe that inflation will have a significant effect on our results of operations or financial position. We continually review inflation and the functional currency in each of the countries where we operate.

Off Balance Sheet Arrangements

We have certain significant off balance sheet items described below, in the following section, "Contractual Obligations" and in Note 19, Commitments, to the Consolidated Financial Statements.

On occasion, we grant guarantees of the obligations of our subsidiaries and we sometimes enter into agreements with unaffiliated third parties that contain indemnification provisions, the terms of which may vary depending on the negotiated terms of each respective agreement. Our liability under such indemnification provisions may be subject to time and materiality limitations, monetary caps and other conditions and defenses. To date, we are not aware of any significant claims made by the indemnified parties or parties to whom we have provided guarantees on behalf of our subsidiaries and, accordingly, no liabilities have been recorded as of December 31, 2015.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2015:

(in thousands)	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt obligations, including interest	\$512,429	\$15,095	\$38,686	\$458,648	\$—
Obligations under operating leases	157,006	47,079	65,091	33,172	11,664
Obligations under capital leases	6,875	1,360	3,673	1,842	—
Purchase obligations	8,847	6,942	1,693	212	—
Total	\$685,157	\$70,476	\$109,143	\$493,874	\$11,664

The computation of interest for debt obligations with variable interest rates reflects interest rates in effect at December 31, 2015. For additional information on debt obligations, see Note 10, Debt Obligations, to the Consolidated Financial Statements.

60

---

## Table of Contents

For additional information on capital and operating lease obligations, see Note 12, Leases, to the Consolidated Financial Statements. Purchase obligations primarily consist of ATM maintenance and services as well as telecommunications services and professional fees.

Our total liability for uncertain tax positions under Accounting Standards Codification ("ASC") 740-10-25 and -30 was \$16.4 million as of December 31, 2015. The application of ASC 740-10-25 and -30 requires significant judgment in assessing the outcome of future income tax examinations and their potential impact on the Company's estimated effective income tax rate and the value of deferred tax assets, such as those related to the Company's net operating loss carryforwards. It is reasonably possible that the balance of gross unrecognized tax benefits could significantly change within the next twelve months, as a result of the resolution of audit examinations and expirations of certain statutes of limitations and, accordingly, materially affect our consolidated financial statements. At this time, it is not possible to estimate the range of change due to the uncertainty of potential outcomes.

### Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. GAAP which requires management to make estimates, judgments and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Management considers an accounting policy and estimate to be critical if it requires the use of assumptions that were uncertain at the time the estimate was made and if changes in the estimate or selection of a different estimate could have a material effect on the Company's financial condition and results of operations. Our most critical estimates and assumptions are used for computing income taxes, allocating the purchase price to assets acquired and liabilities assumed in acquisitions, potential impairment of long-lived assets and goodwill, and revenue recognition. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ materially from these estimates. For a summary of all of the Company's significant accounting policies, see Note 3 to the accompanying Consolidated Financial Statements.

### Accounting for income taxes

The deferred income tax effects of transactions reported in different periods for financial reporting and income tax return purposes are recorded under the liability method. This method gives consideration to the future tax consequences of deferred income or expense items and immediately recognizes changes in income tax laws upon enactment. The statement of income effect is generally derived from changes in deferred income taxes, net of valuation allowances, on the balance sheet as measured by differences in the book and tax bases of our assets and liabilities.

We have significant tax loss carryforwards, and other temporary differences, which are recorded as deferred tax assets and liabilities. Deferred tax assets realizable in future periods are recorded net of a valuation allowance based on an assessment of each entity's, or group of entities', ability to generate sufficient taxable income within an appropriate period, in a specific tax jurisdiction.

In assessing the recognition of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will be realized. As more fully described in Note 13, Taxes, to the Consolidated Financial Statements, gross deferred tax assets were \$126.2 million as of December 31, 2015, partially offset by a valuation allowance of \$48.6 million. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. We make judgments and estimates on the scheduled reversal of deferred tax liabilities, historical and projected future taxable income in each country in which we operate, and tax planning strategies in making this assessment.

Based upon the level of historical taxable income and current projections for future taxable income over the periods in which the deferred tax assets are deductible, we believe it is more likely than not that we will realize the benefits of these deductible differences, net of the existing valuation allowance at December 31, 2015. If we have a history of generating taxable income in a certain country in which we operate, and baseline forecasts project continued taxable income in this country, we will reduce the valuation allowance for those deferred tax assets that we expect to realize.

Additionally, we follow the provisions of ASC 740-10-25 and -30 to account for uncertainty in income tax positions. Applying the standard requires substantial management judgment and use of estimates in determining whether the impact of a tax position is “more likely than not” of being sustained on audit by the relevant taxing authority. We consider many factors when evaluating and estimating our tax positions, which may require periodic adjustments and which may not accurately anticipate actual outcomes. It is reasonably possible that amounts reserved for potential exposure could change significantly as a result of the conclusion of tax examinations and, accordingly, materially affect our operating results.

Table of Contents

## Business combinations

In accordance with ASC Topic 805, Business Combinations, we allocate the acquisition purchase price of an acquired entity to the assets acquired, including identifiable intangibles, and liabilities assumed based on their estimated fair values at the date of acquisition. Management applies various valuation methodologies to these acquired assets and assumed liabilities which often involve a significant degree of judgment, particularly when liquid markets do not exist for the particular item being valued. Examples of such items include loans, deposits, identifiable intangible assets and certain other assets and liabilities acquired or assumed in business combinations. Management uses significant estimates and assumptions to value such items, including, projected cash flows and discount rates. For larger or more complex acquisitions, we generally obtain third-party valuations to assist us in estimating fair values. The use of different valuation techniques and assumptions could change the amounts and useful lives assigned to the assets and liabilities acquired and related amortization expense. As of December 31, 2015, the Consolidated Balance Sheet includes goodwill of \$685.2 million and acquired intangible assets, net of accumulated amortization, of \$168.0 million.

## Goodwill and indefinite-lived intangible assets

In accordance with ASC Topic 350, Intangibles - Goodwill and Other, we evaluate the carrying value of our indefinite-lived assets, including goodwill, at least annually or more frequently whenever events or changes in circumstances indicate that the asset may be impaired, or in the case of goodwill, that the fair value of the reporting unit is below its carrying amount. Impairment tests are performed annually during the fourth quarter and are performed at the reporting unit level. Our annual process for evaluating goodwill requires us to perform a qualitative assessment for all reporting units not subjected directly to the two-step goodwill impairment test. The qualitative factors evaluated by the Company include: economic conditions of the local business environment, overall financial performance, sensitivity analysis from the most recent Step 1 fair value test, and other entity specific factors as deemed appropriate. If we determine the two-step goodwill impairment test is appropriate, the first step involves comparing the fair value of a reporting unit to its carrying amount, including goodwill, after any long-lived asset impairment charges. Generally, the fair value represents discounted projected future cash flows and market multiple of earnings. If the potential for impairment exists, a second step is performed to determine whether there is a goodwill impairment, and if so, the amount of the loss. This step revalues all assets and liabilities of the reporting unit to their current fair value and then compares the implied fair value of the reporting unit's goodwill to the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

As of December 31, 2015, the Consolidated Balance Sheet includes goodwill of \$685.2 million and acquired intangible assets, net of accumulated amortization, of \$168.0 million. Our annual impairment test for the year ended December 31, 2015 and 2014 indicated that there were no impairments. As a result of our annual impairment test for the year ended December 31, 2013, we recorded non-cash goodwill impairment charges of \$18.4 million. See Note 8, Goodwill and Acquired Intangible Assets, Net, to the Consolidated Financial Statements for additional information regarding these charges. Determining the fair value of reporting units requires significant management judgment in estimating future cash flows and assessing potential market and economic conditions. It is reasonably possible that our operations will not perform as expected, or that estimates or assumptions could change, which may result in the recording of additional material non-cash impairment charges during the year in which these determinations take place.

## Impairment of long-lived assets

In accordance with ASC Topic 350, long-lived assets, such as property and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the respective asset. The same estimates are also used in planning for our long- and short-range business planning and forecasting. We assess the reasonableness of the inputs and outcomes of our discounted cash flow analysis against available comparable market data. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount exceeds the fair value of the respective

asset. Reviewing long-lived assets for impairment requires considerable judgment. The determination of fair values requires significant judgment and is sensitive to changes in underlying assumptions. While we believe our judgments and assumptions are reasonable, adverse change in market conditions and future periods may impact our assumptions, resulting in future impairment losses.

Revenue recognition

In accordance with U.S. GAAP, we recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable and collection is reasonably assured. The majority of our revenues are comprised of monthly recurring management fees and transaction-based fees that are recognized when the transactions are processed or the services are performed. When determining the proper revenue recognition for monthly management fees and transaction-based fees, we consider the guidance in Staff Accounting Bulletin (“SAB”) 101, “Revenue

## Table of Contents

Recognition in Financial Statements,” as amended by SAB 104, “Revenue Recognition,” ASC 605-45, ASC 605-25 and various other interpretations.

Certain of our noncancelable customer contracts provide for the receipt of up-front fees paid to or received from the customer and/or decreasing or increasing fee schedules over the agreement term for substantially the same level of services provided by Euronet. As prescribed by SAB 101 and SAB 104, we recognize revenue under these contracts based on proportional performance of services over the term of the contract, which generally results in “straight-line” revenue recognition of the contracts' total cash flows, including any up-front payment.

Substantial management judgment and estimation is required in determining the proper revenue recognition methodology for our various revenue-producing activities, as well as the proper and consistent application of our determined methodology.

### New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In July 2015, the FASB approved a one-year deferral of the effective date of the new revenue recognition standard. The new standard will become effective for us on January 1, 2018 with the option to early adopt it effective January 1, 2017. The standard permits the use of either the retrospective or cumulative effect transition method. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected an adoption date, a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, Interest - Imputation of Interest (“ASU 2015-03”), which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The guidance is effective for fiscal years and interim reporting periods within those years beginning after December 31, 2015, with early adoption permitted. We elected to early adopt the provisions of this new standard for the year ended December 31, 2015 on a retrospective basis. The adoption of this standard did not have a material impact on our consolidated financial statements.

In September 2015, the FASB issued Accounting Standards Update No. 2015-16, Simplifying the Accounting for Measurement-Period Adjustments, (“ASU 2015-16”), which requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, including the cumulative effect of the change in provisional amount as if the accounting had been completed at the acquisition date. The adjustments related to previous reporting periods since the acquisition date must be disclosed by income statement line item either on the face of the income statement or in the notes. The guidance is effective for fiscal years and interim reporting periods within those years beginning after December 15, 2015, with early application permitted for financial statements that have not been issued. The amendments are to be applied prospectively to adjustments that occur after the effective date. The amendments will be effective for us beginning January 1, 2016 and will be applied, as necessary, to future business combinations.

In November 2015, FASB issued Accounting Standards Update No. 2015-17, Balance Sheet Classification of Deferred Taxes (“ASU 2015-17”), which eliminates the current requirement to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Instead, entities will be required to classify all deferred tax assets and liabilities as noncurrent. We elected to early adopt the provisions of this new standard for the year ended December 31, 2015 on a prospective basis. The adoption of this standard did not have a material impact on our consolidated financial statements.

In January 2016, FASB issued Accounting Standards Update No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”), which addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. ASU 2016-01 is effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. We are currently evaluating the impact that the standard will have on our consolidated financial statements.



No other new accounting pronouncement issued or effective during the fiscal year had or is expected to have a material impact on the consolidated financial statements.

## Table of Contents

### Forward-Looking Statements

This document contains statements that constitute forward-looking statements within the meaning of section 27A of the Securities Act of 1933 and section 21E of the Securities Exchange Act of 1934 (“Exchange Act”). All statements other than statements of historical facts included in this document are forward-looking statements, including, but not limited to, statements regarding the following:

- our business plans and financing plans and requirements;
- trends affecting our business plans and financing plans and requirements;
- trends affecting our business;
- the adequacy of capital to meet our capital requirements and expansion plans;
- the assumptions underlying our business plans;
- our ability to repay indebtedness;
- our estimated capital expenditures;
- the potential outcome of loss contingencies;
- business strategy;
- government regulatory action;
- technological advances; and
- projected costs and revenues.

Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to be correct. Forward-looking statements are typically identified by the words believe, expect, anticipate, intend, estimate and similar expressions.

Investors are cautioned that any forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may materially differ from those in the forward-looking statements as a result of various factors, including, but not limited to, conditions in world financial markets and general economic conditions, including economic conditions in specific countries and regions; technological developments affecting the market for our products and services; our ability to successfully introduce new products; foreign currency exchange rate fluctuations; the effects of any future security breaches, or safeguards of or interruptions in any of our systems or those of our vendors or other third parties; our ability to renew existing contracts at profitable rates; changes in fees payable for transactions performed for cards bearing international logos or over switching networks such as card transactions on ATMs; our ability to comply with increasingly stringent regulatory requirements, including anti-money laundering requirements; changes in laws and regulations affecting our business, including immigration laws, changes in our relationships with, or in fees charged by, our business partners, competition, the outcome of claims and other loss contingencies affecting Euronet and those referred to above and as set forth and more fully described in Part I, Item 1A — Risk Factors. Any forward-looking statements made in this Form 10-K speak only as of the date of this report. We do not intend, and do not undertake, any obligation to update any forward looking statements to reflect future events or circumstances after the date of such statements.

Table of Contents

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk

## Interest rate risk

As of December 31, 2015, our total debt outstanding, excluding unamortized debt issuance costs, was \$428.3 million. Of this amount, \$347.9 million, or 81% of our total debt obligations, relates to contingent convertible notes having a fixed coupon rate. Our \$402.5 million principal amount of contingent convertible notes, issued in October 2014, accrue cash interest at a rate of 1.50% of the principal amount per annum. Based on quoted market prices, as of December 31, 2015, the fair value of our fixed rate convertible notes was \$509.7 million, compared to a carrying value of \$347.9 million. Interest expense for these notes, including accretion and amortization of deferred debt issuance costs, has a weighted average interest rate of 4.7% annually. Additionally, \$74.7 million, or 18% of our total debt obligations, relates to borrowings under our Credit Facility. If we were to maintain these borrowings for one year and maximize the potential borrowings available under the revolving credit facility for one year, a 1% (100 basis points) increase in the applicable interest rate would result in additional interest expense to the Company of approximately \$6.3 million.

The remaining \$5.7 million, or 1% of our total debt obligations, is related to borrowings by certain subsidiaries to fund, from time to time, working capital requirements. These arrangements generally are due within one year and accrue interest at variable rates.

Additionally, as of December 31, 2015, we had approximately \$6.1 million of capitalized leases with fixed payment and interest terms that expire between the years of 2016 and 2020 and bear interest at rates between 2.2% and 15.0%. Our excess cash is invested in instruments with original maturities of three months or less or in certificates of deposit that may be withdrawn at any time without penalty; therefore, as investments mature and are reinvested, the amount we earn will increase or decrease with changes in the underlying short-term interest rates.

## Foreign currency exchange rate risk

For the years ended December 31, 2015 and 2014, 70% and 74% of our revenues, respectively, were generated in non-U.S. dollar countries. We expect to continue generating a significant portion of our revenues in countries with currencies other than the U.S. dollar.

We are particularly vulnerable to fluctuations in exchange rates of the U.S. dollar to the currencies of countries in which we have significant operations, primarily the euro, British pound, Australian dollar, Polish zloty, Indian rupee, New Zealand dollar and Hungarian forint. As of December 31, 2015, we estimate that a 10% fluctuation in these foreign currency exchange rates would have the combined annualized effect on reported net income and working capital of approximately \$50 million to \$55 million. This effect is estimated by applying a 10% adjustment factor to our non-U.S. dollar results from operations, intercompany loans that generate foreign currency gains or losses and working capital balances that require translation from the respective functional currency to the U.S. dollar reporting currency.

Additionally, we have other non-current, non-U.S. dollar assets and liabilities on our balance sheet that are translated to the U.S. dollar during consolidation. These items primarily represent goodwill and intangible assets recorded in connection with acquisitions in countries other than the U.S. We estimate that a 10% fluctuation in foreign currency exchange rates would have a non-cash impact on total comprehensive income of approximately \$85 million to \$90 million as a result of the change in value of these items during translation to the U.S. dollar. For the fluctuations described above, a strengthening U.S. dollar produces a financial loss, while a weakening U.S. dollar produces a financial gain.

We believe this quantitative measure has inherent limitations and does not take into account any governmental actions or changes in either customer purchasing patterns or our financing or operating strategies. Because a majority of our revenues and expenses are incurred in the functional currencies of our international operating entities, the profits we earn in foreign currencies are positively impacted by a weakening of the U.S. dollar and negatively impacted by a strengthening of the U.S. dollar. Additionally, our debt obligations are primarily in U.S. dollars; therefore, as foreign currency exchange rates fluctuate, the amount available for repayment of debt will also increase or decrease.

We use derivatives to minimize our exposures related to changes in foreign currency exchange rates and to facilitate foreign currency risk management services by writing derivatives to customers. Derivatives are used to manage the overall market risk associated with foreign currency exchange rates; however, we do not perform the extensive

record-keeping required to account for the derivative transactions as hedges. Due to the relatively short duration of the derivative contracts, we use the derivatives primarily as economic hedges. Since we not designate foreign currency derivatives as hedging instruments pursuant to the accounting standards, we record gains and losses on foreign exchange derivatives in earnings in the period of change.

Table of Contents

A majority of our consumer-to-consumer money transfer operations involves receiving and disbursing different currencies, in which we earn a foreign currency spread based on the difference between buying currency at wholesale exchange rates and selling the currency to consumers at retail exchange rates. We enter into foreign currency forward and cross-currency swap contracts to minimize exposure related to fluctuations in foreign currency exchange rates. The changes in fair value related to these contracts are recorded in Foreign currency exchange (loss) gain, net on Consolidated Statements of Income. As of December 31, 2015, we had foreign currency derivative contracts outstanding with a notional value of \$211 million, primarily in Australian dollars, British pounds, Canadian dollars, euros and Mexican pesos, that were not designated as hedges and mature within a few days.

For derivative instruments our HiFX operations write to customers, we aggregate the foreign currency exposure arising from customer contracts, and hedge the resulting net currency risks by entering into offsetting contracts with established financial institution counterparties as part of a broader foreign currency portfolio. The changes in fair value related to the total portfolio of positions are recorded in Revenues on the Consolidated Statements of Income. As of December 31, 2015, we held foreign currency derivative contracts outstanding with a notional value of \$845 million, primarily in U.S. dollars, euros, British pounds, Australian dollars and New Zealand dollars, that were not designated as hedges and for which the majority mature within the next twelve months.

See Note 11, Derivative Instruments and Hedging Activities to our Consolidated Financial Statements for additional information.

Table of Contents

## Item 8. Financial Statements and Supplementary Data

	Page
Index to Consolidated Financial Statements	
<u>Report of Independent Registered Public Accounting Firm</u>	<u>68</u>
<u>Consolidated Balance Sheets</u>	<u>70</u>
<u>Consolidated Statements of Income</u>	<u>71</u>
<u>Consolidated Statements of Comprehensive Income</u>	<u>72</u>
<u>Consolidated Statements of Changes in Equity</u>	<u>73</u>
<u>Consolidated Statements of Cash Flows</u>	<u>75</u>
<u>Notes to Consolidated Financial Statements</u>	<u>76</u>
<u>(1) Organization</u>	<u>76</u>
<u>(2) Basis of Preparation</u>	<u>76</u>
<u>(3) Summary of Significant Accounting Policies and Practices</u>	<u>76</u>
<u>(4) Stockholders' Equity</u>	<u>81</u>
<u>(5) Acquisitions</u>	<u>83</u>
<u>(6) Restricted Cash</u>	<u>87</u>
<u>(7) Property and Equipment, Net</u>	<u>87</u>
<u>(8) Goodwill and Acquired Intangible Assets, Net</u>	<u>88</u>
<u>(9) Accrued Expenses and Other Current Liabilities</u>	<u>89</u>
<u>(10) Debt Obligations</u>	<u>90</u>
<u>(11) Derivative Instruments and Hedging Activities</u>	<u>91</u>
<u>(12) Leases</u>	<u>94</u>
<u>(13) Income Taxes</u>	<u>95</u>
<u>(14) Valuation and Qualifying Accounts</u>	<u>98</u>
<u>(15) Stock Plans</u>	<u>98</u>
<u>(16) Business Segment Information</u>	<u>101</u>
<u>(17) Financial Instruments and Fair Value Measurements</u>	<u>105</u>
<u>(18) Litigation and Contingencies</u>	<u>107</u>
<u>(19) Commitments</u>	<u>107</u>
<u>(20) Related Party Transactions</u>	<u>108</u>
<u>(21) Selected Quarterly Data (Unaudited)</u>	<u>109</u>

Table of Contents

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Euronet Worldwide, Inc.:

We have audited the accompanying consolidated balance sheets of Euronet Worldwide, Inc. and subsidiaries (the Company) as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2015. We also have audited the Company's internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Euronet Worldwide, Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, in

conformity with U.S. generally accepted accounting principles. Also in our opinion, Euronet Worldwide, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company acquired IME and XE Corporation during 2015, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2015, IME's and XE Corporation's internal control over financial reporting associated with total assets of \$115.8 million and \$118.6 million, respectively; and total revenues of \$28.9 million and \$4.5 million, respectively, included in the consolidated financial statements of the Company as of and for the year ended December 31, 2015. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of IME and XE Corporation.

/s/ KPMG LLP  
Kansas City, Missouri



Table of Contents

Index to Consolidated Financial Statements

February 26, 2016

69

---

Table of ContentsIndex to Consolidated Financial Statements

## Consolidated Financial Statements

## Euronet Worldwide, Inc. and Subsidiaries

## Consolidated Balance Sheets

(In thousands, except share and per share data)

	As of December 31,	
	2015	2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$457,518	\$468,010
Restricted cash	45,312	68,028
Inventory — PINs and other	72,108	85,675
Trade accounts receivable, net of allowances for doubtful accounts of \$19,140 at December 31, 2015 and \$20,546 at December 31, 2014	423,299	375,579
Prepaid expenses and other current assets	132,773	108,624
Total current assets	1,131,010	1,105,916
Property and equipment, net of accumulated depreciation of \$242,111 at December 31, 2015 and \$239,607 at December 31, 2014	157,368	125,307
Goodwill	685,178	599,863
Acquired intangible assets, net of accumulated amortization of \$131,095 at December 31, 2015 and \$113,153 at December 31, 2014	167,972	158,267
Other assets, net of accumulated amortization of \$32,434 at December 31, 2015 and \$26,912 at December 31, 2014	51,186	49,094
Total assets	\$2,192,714	\$2,038,447
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Trade accounts payable	\$456,159	\$445,984
Accrued expenses and other current liabilities	382,873	336,361
Current portion of capital lease obligations	1,991	2,216
Short-term debt obligations and current maturities of long-term debt obligations	12,060	11,156
Income taxes payable	14,962	19,248
Deferred revenue	35,887	33,916
Total current liabilities	903,932	848,881
Debt obligations, net of current portion	405,472	397,256
Capital lease obligations, net of current portion	4,147	2,148
Deferred income taxes	33,924	38,959
Other long-term liabilities	19,311	18,391
Total liabilities	1,366,786	1,305,635
Equity:		
Euronet Worldwide, Inc. stockholders' equity:		
Preferred Stock, \$0.02 par value. 10,000,000 shares authorized; none issued	—	—
Common Stock, \$0.02 par value. 90,000,000 shares authorized; 57,961,043 issued at December 31, 2015 and 56,464,187 issued at December 31, 2014	1,159	1,129
Additional paid-in capital	1,023,254	955,715
Treasury stock, at cost, 4,929,241 shares at December 31, 2015 and 4,867,420 shares at December 31, 2014	(138,750 )	(133,788 )
Retained earnings	104,427	5,619
Accumulated other comprehensive loss	(165,528 )	(97,922 )

Edgar Filing: EURONET WORLDWIDE INC - Form 10-K

Total Euronet Worldwide, Inc. stockholders' equity	824,562	730,753
Noncontrolling interests	1,366	2,059
Total equity	825,928	732,812
Total liabilities and equity	\$2,192,714	\$2,038,447

See accompanying notes to the Consolidated Financial Statements.

70

---

Table of ContentsIndex to Consolidated Financial Statements

## Euronet Worldwide, Inc. and Subsidiaries

## Consolidated Statements of Income

(in thousands, except share and per share data)

	Year Ended December 31,		
	2015	2014	2013
Revenues	\$1,772,262	\$1,664,150	\$1,413,169
Operating expenses:			
Direct operating costs	1,081,849	1,033,479	892,928
Salaries and benefits	259,162	243,220	208,244
Selling, general and administrative	156,385	157,265	129,427
Acquisition-related contingent consideration gain	—	—	(19,319)
Goodwill and acquired intangible assets impairment	—	—	18,425
Depreciation and amortization	70,025	71,455	65,053
Total operating expenses	1,567,421	1,505,419	1,294,758
Operating income	204,841	158,731	118,411
Other income (expense):			
Interest income	2,170	2,549	1,998
Interest expense	(24,814)	(12,330)	(10,139)
(Loss) income from unconsolidated affiliates	—	(46)	206
Other gains (losses), net	315	(1,755)	2,398
Foreign currency exchange (loss) gain, net	(41,418)	(5,646)	2,211
Other expense, net	(63,747)	(17,228)	(3,326)
Income before income taxes	141,094	141,503	115,085
Income tax expense	(42,602)	(40,015)	(27,732)
Net income	98,492	101,488	87,353
Less: Net loss attributable to noncontrolling interests	316	160	633
Net income attributable to Euronet Worldwide, Inc.	\$98,808	\$101,648	\$87,986
Earnings per share attributable to Euronet Worldwide, Inc. stockholders:			
Basic	\$1.89	\$1.96	\$1.76
Diluted	\$1.83	\$1.89	\$1.69
Weighted average shares outstanding:			
Basic	52,274,573	51,757,867	49,964,819
Diluted	54,076,676	53,901,040	51,982,620

See accompanying notes to the Consolidated Financial Statements.

Table of Contents

Index to Consolidated Financial Statements

Euronet Worldwide, Inc. and Subsidiaries  
 Consolidated Statements of Comprehensive Income  
 (in thousands)

	Year Ended December 31,		
	2015	2014	2013
Net income	\$98,492	\$101,488	\$87,353
Other comprehensive income (loss), net of tax:			
Translation adjustment	(67,756	) (87,675	) 758
Comprehensive income	30,736	13,813	88,111
Comprehensive loss attributable to noncontrolling interests	466	366	490
Comprehensive income attributable to Euronet Worldwide, Inc.	\$31,202	\$14,179	\$88,601
See accompanying notes to the Consolidated Financial Statements.			

Table of ContentsIndex to Consolidated Financial Statements

Euronet Worldwide, Inc. and Subsidiaries  
 Consolidated Statements of Changes in Equity  
 (in thousands, except share data)

	No. of Shares Outstanding	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings (Accumulated Deficit)
Balance as of December 31, 2012	49,322,600	\$ 1,060	\$ 783,508	\$(67,327 )	\$ (184,015 )
Net income (loss)					87,986
Other comprehensive income					
Stock issued under employee stock plans	1,079,217	22	15,665	(795 )	
Share-based compensation			11,463		
Shares issued in connection with acquisition	224,425	4	5,292		
Acquisition of noncontrolling interest			(6,319 )		
Other			31		
Balance as of December 31, 2013	50,626,242	1,086	809,640	(68,122 )	(96,029 )
Net income (loss)					101,648
Other comprehensive loss					
Stock issued under employee stock plans	914,371	18	12,386	(1,154 )	
Share-based compensation			12,902		
Shares issued in connection with acquisition	1,262,654	25	56,529		
Issuance of convertible notes			64,351		
Repurchase of shares	(1,206,500 )			(64,512 )	
Other			(93 )		
Balance as of December 31, 2014	51,596,767	1,129	955,715	(133,788 )	5,619
Net income (loss)					98,808
Other comprehensive loss					
Stock issued under employee stock plans	743,782	16	11,686	(4,877 )	
Share-based compensation			12,802		
Shares issued in connection with acquisition	692,853	14	43,047		
Repurchase of shares	(1,600 )			(85 )	
Other			4		
Balance as of December 31, 2015	53,031,802	\$ 1,159	\$ 1,023,254	\$(138,750 )	\$ 104,427

See accompanying notes to the Consolidated Financial Statements.

Table of ContentsIndex to Consolidated Financial Statements

EURONET WORLDWIDE, INC. AND SUBSIDIARIES  
 Consolidated Statements of Changes in Equity (continued)  
 (in thousands)

	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
Balance as of December 31, 2012	\$(10,850	) \$4,164	\$526,540
Net income (loss)		(633	) 87,353
Other comprehensive income	615	143	758
Stock issued under employee stock plans			14,892
Share-based compensation			11,463
Shares issued in connection with acquisition			5,296
Acquisition of noncontrolling interest	(218	) (1,341	) (7,878
Other			31
Balance as of December 31, 2013	(10,453	) 2,333	638,455
Net income (loss)		(160	) 101,488
Other comprehensive loss	(87,469	) (206	) (87,675
Stock issued under employee stock plans			11,250
Share-based compensation			12,902
Shares issued in connection with acquisition			56,554
Issuance of convertible notes			64,351
Repurchase of shares			(64,512
Other		92	(1
Balance as of December 31, 2014	(97,922	) 2,059	732,812
Net income (loss)		(316	) 98,492
Other comprehensive loss	(67,606	) (150	) (67,756
Stock issued under employee stock plans			6,825
Share-based compensation			12,802
Shares issued in connection with acquisition			43,061
Repurchase of shares			(85
Other		(227	) (223
Balance as of December 31, 2015	\$(165,528	) \$1,366	\$825,928

See accompanying notes to the Consolidated Financial Statements.

Table of ContentsIndex to Consolidated Financial StatementsEuronet Worldwide, Inc. and Subsidiaries  
Consolidated Statements of Cash Flows  
(in thousands)

	Year Ended December 31,		
	2015	2014	2013
Net income	\$98,492	\$101,488	\$87,353
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	70,025	71,455	65,053
Share-based compensation	12,802	12,902	11,463
Unrealized foreign exchange loss (gain), net	41,418	5,646	(2,211 )
Non-cash impairment of goodwill	—	—	18,425
Acquisition-related contingent consideration gain	—	—	(19,319 )
Other losses (gains)	—	1,755	(2,827 )
Deferred income taxes	(5,017 )	(5,012 )	(6,968 )
Loss (income) from unconsolidated affiliates	—	46	(206 )
Accretion of convertible debt discount and amortization of debt issuance costs	12,164	2,934	1,096
Changes in working capital, net of amounts acquired:			
Income taxes payable, net	(13,467 )	5,642	7,160
Restricted cash	17,621	4,653	(10,328 )
Inventory — PINs and other	7,058	(19 )	5,918
Trade accounts receivable	(66,075 )	(17,058 )	(22,554 )
Prepaid expenses and other current assets	(39,796 )	(21,266 )	1,228
Trade accounts payable	39,631	25,773	2,263
Deferred revenue	3,898	4,085	(2,375 )
Accrued expenses and other current liabilities	37,453	42,376	31,999
Changes in noncurrent assets and liabilities	(1,153 )	(373 )	4,162
Net cash provided by operating activities	215,054	235,027	169,332
Cash flows from investing activities:			
Acquisitions, net of cash acquired	(113,969 )	(84,703 )	(30,847 )
Purchases of property and equipment	(74,620 )	(63,098 )	(40,903 )
Purchases of other long-term assets	(6,391 )	(5,950 )	(6,258 )
Proceeds from sale of equity method investment	—	—	7,609
Other, net	997	719	925
Net cash used in investing activities	(193,983 )	(153,032 )	(69,474 )
Cash flows from financing activities:			
Proceeds from issuance of shares	10,510	11,099	14,691
Repurchase of shares	(6,078 )	(66,390 )	(1,882 )
Borrowings from revolving credit agreements	1,321,622	2,184,153	1,991,664
Repayments of revolving credit agreements	(1,318,759 )	(2,307,622 )	(2,077,774 )
Repayments of long-term debt obligations	(5,156 )	(4,814 )	(10,086 )
Repayments of capital lease obligations	(3,211 )	(2,518 )	(2,630 )
Net (repayments of) borrowing from short-term debt obligations	(1,825 )	4,336	1,343
Proceeds from long-term debt obligations	—	411,500	—
Debt issuance costs	—	(13,259 )	(163 )
Purchase of subsidiary shares from noncontrolling interests	—	—	(7,878 )
Other, net	1,707	1,596	1,499



Edgar Filing: EURONET WORLDWIDE INC - Form 10-K

Net cash (used in) provided by financing activities	(1,190	) 218,081	(91,216	)
Effect of exchange rate changes on cash and cash equivalents	(30,373	) (41,892	) (251	)
(Decrease) increase in cash and cash equivalents	(10,492	) 258,184	8,391	
Cash and cash equivalents at beginning of period	468,010	209,826	201,435	
Cash and cash equivalents at end of period	\$457,518	\$468,010	\$209,826	
Interest paid during the period	\$11,804	\$7,685	\$7,720	
Income taxes paid during the period	\$54,607	\$39,574	\$28,400	
Supplemental disclosure of non-cash investing and financing activities:				
Equity issued in connection with acquisition	\$43,061	\$56,554	\$5,296	
Contingent consideration in connection with acquisition	\$—	\$—	\$21,725	
See accompanying notes to the Consolidated Financial Statements.				

75

---

Table of Contents

Index to Consolidated Financial Statements

Notes to Consolidated Financial Statements

(1) Organization

Euronet Worldwide, Inc. (the “Company” or “Euronet”) was established as a Delaware corporation on December 13, 1997 and succeeded Euronet Holding N.V. as the group holding company, which was founded and established in 1994. Euronet is a leading electronic payments provider. Euronet offers payment and transaction processing and distribution solutions to financial institutions, retailers, service providers and individual consumers. Euronet's primary product offerings include comprehensive automated teller machine (“ATM”), point-of-sale (“POS”), card outsourcing, card issuing and merchant acquiring services; electronic distribution of prepaid mobile airtime and other electronic payment products, and global money transfer services.

(2) Basis of Preparation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States (“U.S. GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). The consolidated financial statements include the accounts of Euronet and its wholly owned and majority owned subsidiaries and all significant intercompany balances and transactions have been eliminated. Euronet's investments in companies that it does not control, but has the ability to significantly influence, are accounted for under the equity method. Euronet is not involved with any variable interest entities. Results from operations related to entities acquired during the periods covered by the consolidated financial statements are reflected from the effective date of acquisition. Certain amounts in prior years have been reclassified to conform to the current year's presentation.

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires that management make a number of estimates and assumptions relating to the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Significant items subject to such estimates and assumptions include computing income taxes, contingent purchase price consideration, estimating the useful lives and potential impairment of long-lived assets and goodwill, as well as allocating the purchase price to assets acquired and liabilities assumed in acquisitions and revenue recognition. Actual results could differ from those estimates.

Seasonality

Euronet's EFT Processing Segment experiences its heaviest demand for dynamic currency conversion services during the third quarter of the fiscal year, coinciding with the tourism season. Additionally, the EFT Processing and epay Segments are impacted by seasonality during the fourth quarter and first quarter of each year due to higher transaction levels during the holiday season and lower levels following the holiday season. Seasonality in the money transfer segment varies by region of the world. In most markets, Euronet usually experiences increased demand for money transfer services from the month of May through the fourth quarter of each year, coinciding with the increase in worker migration patterns and various holidays, and its lowest transaction levels during the first quarter of the year.

(3) Summary of Significant Accounting Policies and Practices

Foreign currencies

Assets and liabilities denominated in currencies other than the functional currency of a subsidiary are remeasured at rates of exchange on the balance sheet date. Resulting gains and losses on foreign currency transactions are included in the Consolidated Statements of Income.

The financial statements of foreign subsidiaries where the functional currency is not the U.S. dollar are translated to U.S. dollars using (i) exchange rates in effect at period end for assets and liabilities, and (ii) weighted average exchange rates during the period for revenues and expenses. Adjustments resulting from translation of such financial

statements are reflected in accumulated other comprehensive income (loss) as a separate component of consolidated equity.

Cash equivalents

The Company considers all highly liquid investments, with an original maturity of three months or less, and certificates of deposit, which may be withdrawn at any time at the discretion of the Company without penalty, to be cash equivalents.

Table of ContentsIndex to Consolidated Financial Statements

## Inventory - PINs and other

Inventory - PINs and other is valued at the lower of cost or market value and primarily represents prepaid personal identification number ("PIN") inventory for prepaid mobile airtime related to the epay Segment. PIN inventory is generally managed on a specific identification basis that approximates first in, first out for the respective denomination of prepaid mobile airtime sold. Inventory also includes vouchers, merchandise for physical reward fulfillment and other electronic payment products. Additionally, from time to time, Inventory - PINs and other may include POS terminals, mobile phone handsets and ATMs held by the Company for resale.

## Property and equipment

Property and equipment are stated at cost, less accumulated depreciation. Property and equipment acquired in acquisitions have been recorded at estimated fair values as of the acquisition date.

Depreciation is generally calculated using the straight-line method over the estimated useful lives of the respective assets. Depreciation and amortization rates are generally as follows:

ATMs or ATM upgrades	5 - 7 years
Computers and software	3 - 5 years
POS terminals	3 - 5 years
Vehicles and office equipment	3 - 10 years
Leasehold improvements	Over the lesser of the lease term or estimated useful life

## Goodwill and other intangible assets

The Company accounts for goodwill and other intangible assets in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 350, Intangibles - Goodwill and Other. ASC Topic 350 requires that the Company test for impairment on an annual basis and whenever events or circumstances dictate. Goodwill is allocated among and evaluated for impairment at the reporting unit level, which is defined as an operating segment or one level below an operating segment.

ASC Topic 350 provides an entity the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not (more than 50%) that the estimated fair value of a reporting unit is less than its carrying amount. If an entity elects to perform a qualitative assessment and determines that an impairment is more likely than not, the entity is then required to perform the existing two-step quantitative impairment test (described below), otherwise no further analysis is required. An entity also may elect not to perform the qualitative assessment and, instead, proceed directly to the two-step quantitative impairment test. The Company has a policy for its annual review of goodwill to perform the qualitative assessment for all reporting units not subjected directly to the two-step quantitative impairment test.

Under the qualitative assessment, various events and circumstances (or factors) that would affect the estimated fair value of a reporting unit are identified (similar to impairment indicators). These factors are then classified by the type of impact they would have on the estimated fair value using positive, neutral, and adverse categories based on current business conditions. Furthermore, the Company considers the results of the most recent two-step quantitative impairment test completed for a reporting unit and compares, among other factors, the weighted average cost of capital ("WACC") between the current and prior years for each reporting unit.

During 2015, the Company determined that it had two reporting units that should be tested under the two-step quantitative impairment test. Under the two-step quantitative impairment test, the evaluation of impairment involves comparing the current fair value of each reporting unit to its carrying value, including goodwill. The Company uses weighted results from the discounted cash flow model ("DCF model") and guideline public company method ("Market Approach model") to estimate the current fair value of its reporting units when testing for impairment, as management believes forecasted cash flows and EBITDA are the best indicator of such fair value. A number of significant assumptions and estimates are involved in the application of the DCF model to forecast operating cash flows, including sales volumes and gross margins, tax rates, capital spending, discount rates and working capital changes.

Most of these assumptions vary significantly among the reporting units. Significant assumptions in the Market Approach model are projected EBITDA, selected market multiple, and the estimated control premium.

77

---

Table of ContentsIndex to Consolidated Financial Statements

In the event the estimated fair value of a reporting unit is less than the carrying value, additional analysis is required. The additional analysis would compare the carrying amount of the reporting unit's goodwill with the implied fair value of that goodwill. The implied fair value of goodwill is the excess of the fair value of the reporting unit over the fair value amounts assigned to all of the assets and liabilities of that unit as if the reporting unit was acquired in a business combination and the fair value of the reporting unit represented the purchase price. If the carrying value of goodwill exceeds its implied fair value, an impairment loss equal to such excess would be recognized.

No impairment charges were recorded as a result of the 2015 and 2014 goodwill impairment test. During the 2013 annual goodwill impairment test, the Company completed the two-step quantitative impairment test for nine reporting units. As a result, the Company recorded a non-cash goodwill impairment charge of \$18.4 million with respect to the epay Australia and epay Spain reporting units.

Other Intangibles - In accordance with ASC Topic 350, intangible assets with finite lives are amortized over their estimated useful lives. Unless otherwise noted, amortization is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Non-compete agreements	2 - 5 years
Trademarks and trade names	2 - 20 years
Software	3 - 10 years
Customer relationships	6 - 12 years

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such events or changes in circumstances are present, a loss is recognized if the carrying value of the asset is in excess of the sum of the undiscounted cash flows expected to result from the use of the asset and its eventual disposition. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds the fair value of the asset. No impairment of long-lived assets was recorded during 2015, 2014 or 2013.

See Note 8, Goodwill and Acquired Intangible Assets, Net, for additional information regarding the impairment of goodwill and other intangible assets.

**Other assets**

Other assets include investments in unconsolidated affiliates, capitalized software development costs and capitalized payments for new or renewed contracts, contract renewals and customer conversion costs. Euronet capitalizes initial payments for new or renewed contracts to the extent recoverable through future operations, contractual minimums and/or penalties in the case of early termination. The Company's accounting policy is to limit the amount of capitalized costs for a given contract to the lesser of the estimated ongoing net future cash flows related to the contract or the termination fees the Company would receive in the event of early termination of the contract by the customer. The Company accounts for investments in affiliates using the equity method of accounting when it has the ability to exercise significant influence over the affiliate, but does not have a controlling interest. Equity losses in affiliates are generally recognized until the Company's investment is zero. As of December 31, 2015 and 2014, the Company had no material investments in unconsolidated affiliates. In July 2013, the Company completed the sale of its investment in epay Malaysia for \$7.6 million, which resulted in the recognition of a \$2.8 million gain.

**Convertible notes**

The Company accounts for its convertible debt instruments that may be settled in cash upon conversion in accordance with ASC Topic 470, Debt, which requires the proceeds from the issuance of such convertible debt instruments to be allocated between debt and equity components so that debt is discounted to reflect the Company's nonconvertible debt borrowing rate. Further, the Company applies ASC 470-20-35-13, which requires the debt discount to be amortized over the period the convertible debt is expected to be outstanding as additional non-cash interest expense.

**Noncontrolling interests**

The Company accounts for noncontrolling interests in its consolidated financial statements according to ASC Topic 810, Consolidations, which requires noncontrolling interests to be reported as a component of equity.

**Business combinations**

The Company accounts for business combinations in accordance with ASC Topic 805, Business Combinations, which requires most identifiable assets, liabilities, noncontrolling interests and goodwill acquired in a business combination to be recorded at

78

---

Table of Contents

Index to Consolidated Financial Statements

“full fair value” at the acquisition date. Additionally, ASC Topic 805 requires transaction-related costs to be expensed in the period incurred.

Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

In accordance with ASC Topic 740, Income Taxes, the Company's policy is to record estimated interest and penalties related to the underpayment of income taxes as income tax expense in the Consolidated Statements of Income. See Note 13, Taxes, for further discussion regarding these provisions.

Presentation of taxes collected and remitted to governmental authorities

The Company presents taxes collected and remitted to governmental authorities on a net basis in the accompanying Consolidated Statements of Income.

Fair value measurements

The Company applies the provisions of ASC Topic 820, Fair Value Measurements and Disclosures, regarding fair value measurements for assets and liabilities. ASC Topic 820 defines fair value, establishes a framework for measuring fair value and requires certain disclosures about fair value measurements. The provisions apply whenever other accounting pronouncements require or permit fair value measurements. See Note 17, Financial Instruments and Fair Value Measurements, for the required fair value disclosures.

Accounting for derivative instruments and hedging activities

The Company accounts for derivative instruments and hedging activities in accordance with ASC Topic 815, Derivatives and Hedging, which requires that all derivative instruments be recognized as either assets or liabilities on the balance sheet at fair value. Primarily in the Money Transfer Segment, the Company enters into foreign currency derivative contracts, mainly forward contracts, to offset foreign currency exposure related to the notional value of money transfer settlement assets and liabilities in currencies other than the U.S. dollar. These contracts are considered derivative instruments under the provisions of ASC Topic 815; however, the Company does not designate such instruments as hedges for accounting purposes. Accordingly, changes in the value of these contracts are recognized immediately as a component of foreign currency exchange gain (loss), net in the Consolidated Statements of Income. The impact of changes in value of these contracts, together with the impact of the change in value of the related foreign currency denominated settlement asset or liability, on the Company's Consolidated Statements of Income and Consolidated Balance Sheets is not significant.

Cash flows resulting from derivative instruments are included in operating activities in the Company's Consolidated Statements of Cash Flows. The Company enters into derivative instruments with highly credit-worthy financial institutions and does not use derivative instruments for trading or speculative purposes. See Note 11, Derivative Instruments and Hedging Activities, for further discussion of derivative instruments.

Revenue recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable and collection is reasonably assured. The majority of the Company's revenues are comprised of monthly recurring management fees and transaction-based fees. A description of the major components of revenue by business segment is as follows:

EFT Processing - Revenues in the EFT Processing Segment are primarily derived from transaction and management fees and foreign currency exchange margin from owned and outsourced ATM, POS and card processing networks and from the sale of EFT software solutions for electronic payment and transaction delivery systems, and fees or margin earned from value added services, including dynamic currency conversion.

Transaction-based fees include charges for cash withdrawals, debit or credit card transactions, balance inquiries, transactions not completed because the relevant card issuer does not give authorization and prepaid mobile airtime



recharges. Outsourcing services are generally billed on the basis of a fixed monthly fee per ATM, plus a transaction-based fee. Transaction-based fees are recognized at the time the transactions are processed and outsourcing management fees are recognized ratably over the contract period.

Table of Contents

Index to Consolidated Financial Statements

Certain of the Company's non-cancelable customer contracts provide for the receipt of up-front fees from the customer and/or decreasing or increasing fee schedules over the agreement term for substantially the same level of services to be provided by the Company. The Company recognizes revenue under these contracts based on proportional performance of services over the term of the contract. This generally results in "straight-line" (i.e., consistent value per period) revenue recognition of the contracts' total cash flows, including any up-front payment received from the customer.

Revenues from the sale of EFT software solutions represent software license fees, professional installation and customization fees, ongoing software maintenance fees, hardware sales and transaction fees. The Company recognizes professional service fee revenue in accordance with the provisions of ASC Topic 985, Software and ASC Topic 605, Revenue Recognition. ASC Topic 985 generally requires revenue earned on software arrangements involving multiple elements to be allocated to each element based on the relative fair values of those elements.

Revenues from software licensing agreement contracts are recognized over the professional services portion of the contract term using the percentage-of-completion method, following the guidance in ASC Topic 605, as prescribed by ASC Topic 985. Software maintenance revenue is recognized over the contractual period or as the maintenance-related service is performed. Revenues from the sale of hardware are generally recognized when title passes to the customer.

epay - Revenue generated in the epay Segment is primarily derived from commissions or processing fees associated with distribution and/or processing of prepaid mobile airtime and other electronic payment products. These fees and commissions are received from mobile phone and other telecommunication operators, top-up distributors, other product vendors or distributors or from retailers. In accordance with ASC Topic 605, commissions received are recognized as revenue during the period in which the Company provides the service. The portion of the commission that is paid to retailers is generally recorded as a direct operating cost. However, in circumstances where the Company is not the primary obligor in the distribution of the electronic payment products, those commissions are recorded as a reduction of revenue. In selling certain products, the Company is the primary obligor in the arrangements; accordingly, the gross sales value of the products are recorded as revenue and the purchase cost as direct operating cost. Transactions are processed through a network of POS terminals and direct connections to the electronic payment systems of retailers. Transaction processing fees are recognized at the time the transactions are processed.

Money Transfer - In accordance with ASC Topic 605, revenues for money transfer and other services represent a transaction fee in addition to a margin earned from purchasing currency at wholesale exchange rates and selling the currency to customers at retail exchange rates. Revenues and the associated direct operating cost are recognized at the time the transaction is processed. The Company has origination and distribution agents in place, which each earn a fee for the respective service. These fees are reflected as direct operating costs.

Share-based compensation

The Company follows the provisions of ASC Topic 718, Compensation - Stock Compensation, for equity classified awards, which requires the determination of the fair value of the share-based compensation at the grant date and subsequent recognition of the related expense over the period in which the share-based compensation is earned ("requisite service period").

The amount of future compensation expense related to awards of nonvested shares or nonvested share units ("restricted stock") is based on the market price for Euronet Common Stock at the grant date. The grant date is the date at which all key terms and conditions of the grant have been determined and the Company becomes contingently obligated to transfer equity to the employee who renders the requisite service, generally the date at which grants are approved by the Company's Board of Directors or Compensation Committee thereof. Share-based compensation expense for awards with only service conditions is generally recognized as expense on a "straight-line" basis over the requisite service period. For awards that vest based on achieving periodic performance conditions, expense is recognized on a "graded attribution method." The graded attribution method results in expense recognition on a straight-line basis over the requisite service period for each separately vesting portion of an award. The Company has elected to use the "with and without method" when calculating the income tax benefit associated with its share-based payment arrangements. See Note 15, Stock Plans, for further disclosure.

Recently issued and adopted accounting pronouncements

Recently Issued - In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. In July 2015, the FASB approved a one-year deferral of the effective date of the new revenue recognition standard. The new standard will become effective for the Company on January 1, 2018 and the Company has the option to adopt it effective January 1, 2017. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected an adoption date, a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

Table of ContentsIndex to Consolidated Financial Statements

In September 2015, the FASB issued Accounting Standards Update No. 2015-16, Simplifying the Accounting for Measurement-Period Adjustments, (“ASU 2015-16”), which requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, including the cumulative effect of the change in provisional amount as if the accounting had been completed at the acquisition date. The adjustments related to previous reporting periods since the acquisition date must be disclosed by income statement line item either on the face of the income statement or in the notes. The guidance is effective for fiscal years and interim reporting periods within those years beginning after December 15, 2015, with early application permitted for financial statements that have not been issued. The amendments are to be applied prospectively to adjustments that occur after the effective date. The amendments will be effective for the Company beginning January 1, 2016 and will be applied, as necessary, to future business combinations.

In January 2016, FASB issued Accounting Standards Update No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”), which addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. ASU 2016-01 is effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company is currently evaluating the impact that the standard will have on its consolidated financial statements.

Recently Adopted -In April 2015, the FASB issued Accounting Standards Update No. 2015-03, Interest - Imputation of Interest (“ASU 2015-03”), which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The guidance is effective for fiscal years and interim reporting periods within those years beginning after December 31, 2015, with early adoption permitted. Management elected to early adopt the provisions of this new standard. Accordingly, the amendment was retrospectively applied resulting in the reclassification of \$10.8 million and \$13.1 million of unamortized debt issuance costs (see Note 10, Debt Obligations) from other noncurrent assets to a reduction in Debt obligations, net of current portion, within its consolidated balance sheets as of December 31, 2015 and December 31, 2014, respectively.

In November 2015, FASB issued Accounting Standards Update No. 2015-17, Balance Sheet Classification of Deferred Taxes (“ASU 2015-17”), which eliminates the current requirement to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Instead, entities will be required to classify all deferred tax assets and liabilities as noncurrent. This ASU will be effective for the Company on January 1, 2017 and early adoption is permitted. Management elected to early adopt the provisions of this standard on a prospective basis. The adoption of this guidance did not have a material impact on the Company's results of operations, cash flows or financial position.

#### (4) Stockholders' Equity

##### Earnings Per Share

Basic earnings per share has been computed by dividing earnings available to common stockholders by the weighted average number of common shares outstanding during the respective period. Diluted earnings per share has been computed by dividing earnings available to common stockholders by the weighted average shares outstanding during the respective period, after adjusting for the potential dilution of options to purchase the Company's Common Stock, assumed vesting of restricted stock and the assumed conversion of the Company's convertible debt.

The following table provides the computation of diluted weighted average number of common shares outstanding:

	Year Ended December 31,		
	2015	2014	2013
Computation of diluted weighted average shares outstanding:			
Basic weighted average shares outstanding	52,274,573	51,757,867	49,964,819

Edgar Filing: EURONET WORLDWIDE INC - Form 10-K

Incremental shares from assumed exercise of stock options and vesting of restricted stock	1,783,199	2,143,173	1,953,484
Incremental shares from assumed conversion of convertible debentures	18,904	—	64,317
Diluted weighted average shares outstanding	54,076,676	53,901,040	51,982,620

81

---

Table of Contents

Index to Consolidated Financial Statements

The table includes all stock options and restricted stock that are dilutive to the Company's weighted average common shares outstanding during the period. The calculation of diluted earnings per share excludes stock options or shares of restricted stock that are anti-dilutive to the Company's weighted average common shares outstanding for the years ended December 31, 2015, 2014 and 2013 of approximately 568,000, 585,000 and 438,000, respectively.

In October 2014, the Company issued convertible notes that, if converted, would have a potentially dilutive effect on its Common Stock. At issuance, the Company stated its intent to settle any conversion of these notes by paying cash for the principal value and issuing Common Stock for any conversion value in excess of the principal value. As of December 31, 2015, and currently, the Company maintains the intent and ability to settle any conversion as stated. Accordingly, the convertible notes would only have a dilutive effect if the market price per share of Common Stock exceeds the conversion price per share of Common Stock. Therefore, according to ASC Topic 260, Earnings per Share, the dilutive effect of the assumed conversion of the debentures was 18,904 shares for the year ended December 31, 2015. The assumed conversion of the debentures was anti-dilutive for year ended December 31, 2014. See Note 10, Debt Obligations, for more information about the convertible notes.

During 2013, the Company had convertible debentures that, if converted, would have had a potentially dilutive effect on its Common Stock. In September 2013, the Company repurchased at par the remaining \$3.6 million principal amount of the convertible debentures outstanding. Based on the evaluation of these debentures under ASC Topic 260, if dilutive, the impact of the contingently issuable shares was included in the calculation of diluted earnings per share under the "if-converted" method, regardless of whether the conditions upon which the debentures would be convertible into shares of the Company's Common Stock had been met. Under the if-converted method, the dilutive effect of the assumed conversion of the debentures was 64,317 shares for the year ended December 31, 2013.

Share repurchases

In September 2013, the Board of Directors authorized a stock repurchase program ("2013 program") allowing the Company to repurchase up to \$100 million in value or 5.0 million shares of its Common Stock. During 2015, the Company repurchased 1,600 shares at an average purchase price per share of \$53.07 for a total value of \$0.1 million. No repurchases were made in 2014 or 2013 under the 2013 program. The 2013 program expired in September 2015. In conjunction with the October 2014 convertible note issuance, the Board of Directors approved a separate one-time stock repurchase which resulted in the purchase of 1.2 million shares at an average price per share of \$53.47 for a total value of \$64.5 million.

In January 2016, the Company announced that its Board of Directors authorized a stock repurchase program through December 17, 2017 ("2016 program") allowing the Company to repurchase up to \$100 million in value or 5.0 million shares of its Common Stock. Repurchases under the 2016 program may take place in the open market or in privately negotiated transactions, including derivative transactions, and may be made under a Rule 10b5-1 plan.

Preferred Stock

The Company has the authority to issue up to 10 million shares of preferred stock, of which no shares are currently issued or outstanding.

Stockholder Rights Agreement

On March 26, 2013, the Company entered into a new Rights Agreement (the "Rights Agreement") with Computershare Trust Company, N.A., as Rights Agent. The Rights Agreement became effective at the close of business on April 3, 2013, immediately following the expiration of the prior rights agreement, and has a three year term. In connection with its approval of the Rights Agreement, the Board of Directors also declared a dividend of one "Right" for each outstanding share of Euronet's common stock, payable on April 3, 2013 to stockholders of record at the close of business on April 3, 2013. As long as the Rights are attached to the common shares, the Company will issue one Right (subject to adjustment) with each new common share that is issued so that all such shares will have attached Rights. When exercisable, each Right will initially entitle the registered holder to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock at a price of \$125 per one one-hundredth of a share, subject to adjustment. Upon occurrence of a trigger event under the Rights Agreement, each holder of a Right (excluding certain holders) thereafter would have the right to receive upon exercise a number of common shares having a market value of two times the then current price of the Right.



Table of Contents

Index to Consolidated Financial Statements

The Rights are not exercisable until the earlier of (i) ten business days following a public announcement that (or a majority of the Board of Directors of the Company becoming aware that) a person or group of affiliated or associated persons or any person acting in concert therewith, has acquired, or obtained the right to acquire beneficial ownership of 20% or more of the Company's common shares (as defined in the Rights Agreement), or (ii) ten business days following the commencement or announcement of an intention to make a tender offer or exchange offer, the consummation of which would result in any person becoming an acquiring person (as defined in the Rights Agreement), unless the Board of Directors sets a later date in either event. The Rights Agreement is intended to encourage a potential acquiring person to negotiate directly with the Board of Directors, but may have certain anti-takeover effects. The Rights Agreement could significantly dilute the interests in the Company of an acquiring person. The Rights may therefore have the effect of delaying, deterring or preventing a change in control of the Company. The Rights have a de minimus fair value and expire on April 3, 2016.

Accumulated other comprehensive loss

As of December 31, 2015 and 2014, accumulated other comprehensive loss consists entirely of foreign currency translation adjustments. For the years ended December 31, 2015 and 2014, the Company recorded foreign currency translation losses of \$67.8 million and \$87.7 million, respectively. The Company recorded a foreign currency translation gain of \$0.8 million for the year ended December 31, 2013. During 2015 and 2013, the Company reclassified \$0.8 million and \$0.3 million of foreign currency translation into the Consolidated Statements of Income. There were no reclassifications of foreign currency translation into the Consolidated Statements of Income for the year ending December 31, 2014.

(5) Acquisitions

In accordance with ASC Topic 805, the Company allocates the purchase price of its acquisitions to the tangible assets, liabilities and intangible assets acquired based on fair values. Any excess purchase price over those fair values is recorded as goodwill. The fair value assigned to intangible assets acquired is supported by valuations using estimates and assumptions provided by management. For certain large acquisitions, management engages an appraiser to assist in the valuation process.

2015 Acquisitions

XE Corporation

On July 2, 2015, the Company completed the acquisition of all of the capital stock of XE Corporation and its subsidiaries ("XE") pursuant to a Share Purchase Agreement (the "XE Purchase Agreement") among the Company and the selling shareholders of XE (the "XE Sellers"). XE Corporation is a Canadian company which operates the xe.com and x-rates.com websites, providing currency-related data and international payments services. This acquisition provides Euronet an internationally recognized brand and a large Internet presence in which to offer its foreign currency products.

Under the terms of the Purchase Agreement, the XE Sellers received purchase consideration (the "XE Purchase Consideration") of \$79.9 million in cash, including working capital adjustments finalized in the third quarter of 2015, and 642,912 shares of Euronet common stock, with a fair value at date of acquisition of \$40.1 million. Half of the common stock portion of the XE Purchase Consideration was placed in escrow at closing as security for the XE Sellers' indemnification and other obligations under the XE Purchase Agreement. Any XE Purchase Consideration remaining in escrow will be released to the XE Sellers two years following the closing date, net of any pending indemnification or other claims under the XE Purchase Agreement.

The XE Purchase Consideration was allocated to the assets acquired and liabilities assumed, including identifiable intangible assets, based on their respective fair values at the date of acquisition. The valuation of the acquired net assets remains preliminary while management completes its valuation, particularly the valuation of acquired intangible assets. The intangible asset amounts are expected to be deductible for income tax purposes, but the goodwill amount is not. Pro-forma results of operations, assuming this acquisition was made at the beginning of the earliest period presented, have not been presented because the effect of this acquisition was not material to the



Company's results of operations. The net assets of XE and its results of operations are included in the Money Transfer Segment's results.

83

---

Table of ContentsIndex to Consolidated Financial Statements

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the acquisition date.

(in thousands)	As of July 2, 2015	
Cash and cash equivalents	\$ 1,872	
Other current assets	1,294	
Intangible assets	15,367	
Other long-term assets	341	
Deferred tax assets	161	
Total assets acquired	19,035	
Trade accounts payable	(26	)
Accrued expenses and other current liabilities	(11,824	)
Other long-term liabilities	(571	)
Total liabilities assumed	(12,421	)
Goodwill	113,362	
Net assets acquired	\$ 119,976	

The intangible assets of XE are being amortized on a straight-line basis, and the estimated fair values consist of the following:

(in thousands)	Fair Value	Estimated Useful Life
Proprietary software	\$2,011	5 years
Customer relationships	9,414	8 years
Trade names	3,654	20 years
Non-compete agreements	288	3 years
Total intangible assets	\$ 15,367	

**IME**

On June 17, 2015, the Company completed the acquisition of all of the capital stock of IME (M) Sdn Bhd and certain affiliated companies ("IME") pursuant to a Share Purchase Agreement (the "IME Purchase Agreement") among the Company and the selling shareholders of IME (the "IME Sellers"). IME is a leading Malaysian-based money transfer provider and provides the Money Transfer Segment with immediate entry into the Asian and Middle East send markets.

Under the terms of the IME Purchase Agreement, the IME Sellers received purchase consideration (the "IME Purchase Consideration") of \$76.7 million in cash, including estimated working capital adjustments, and 49,941 shares of Euronet common stock, with a fair value at date of acquisition of \$3.0 million. A portion of the IME Purchase Consideration was placed in escrow at closing as security for the IME Sellers' indemnification and other obligations under the IME Purchase Agreement. Any IME Purchase Consideration remaining in escrow will be released to the IME Sellers at various defined dates over five years following the closing date, net of any pending indemnification or other claims under the IME Purchase Agreement.

The IME Purchase Consideration was allocated to the assets acquired and liabilities assumed, including identifiable intangible assets, based on their respective fair values at the date of acquisition. The valuation of the acquired net assets remains preliminary while management completes its valuation, particularly the valuation of acquired intangible assets. None of the goodwill or intangible asset amounts are expected to be deductible for income tax purposes. Pro-forma results of operations, assuming this acquisition was made at the beginning of the earliest period

presented, have not been presented because the effect of this acquisition was not material to the Company's results of operations. Additionally, the cumulative effect of the IME and XE acquisitions was not material to the Company's results of operations. The net assets of IME and its results of operations are included in the Money Transfer Segment's results.

Table of ContentsIndex to Consolidated Financial Statements

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the acquisition date.

(in thousands)	As of June 17, 2015	
Cash and cash equivalents	\$33,279	
Other current assets	21,566	
Intangible assets	35,130	
Other long-term assets	5,327	
Total assets acquired	95,302	
Trade accounts payable	(2,766	)
Accrued expenses and other current liabilities	(2,743	)
Settlement obligations and customer deposits	(30,540	)
Deferred tax liabilities	(8,783	)
Other long-term liabilities	(858	)
Total liabilities assumed	(45,690	)
Goodwill	30,099	
Net assets acquired	\$79,711	

The intangible assets of IME are being amortized on a straight-line basis, and the estimated fair values consist of the following:

(in thousands)	Fair Value	Estimated Useful Life
Customer relationships	\$33,940	8 years
Trade names	650	2 years
Non-compete agreements	540	5 years
Total intangible assets	\$35,130	

## 2014 Acquisitions

On May 20, 2014, the Company completed the acquisition of all of the capital stock of EIM (FX) Limited and TBK (FM) Limited (the "Acquired Companies") pursuant to a Share Purchase Agreement dated March 7, 2014 (the "Purchase Agreement") among the Company and the selling shareholders (the "Sellers"). The Acquired Companies, each a United Kingdom limited company, own subsidiaries that operate under the brand names HiFX and HiFM, respectively.

HiFX offers account-to-account international payment services to high-income individuals and small-to-medium sized businesses, complementing Euronet's existing consumer-to-consumer money transfer business. HiFX has an innovative multi-channel platform which allows customers to make transfers, track payments and manage their international payment activity online or through a customer service representative. HiFM offers cash management solutions and foreign currency risk management services to small-to-medium sized businesses.

Under the terms of the Purchase Agreement, the Sellers received purchase consideration (the "Purchase Consideration") of £111.8 million in cash (\$188.0 million), including working capital adjustments finalized in the third quarter of 2014, and 1,262,654 shares of Euronet common stock, with a fair value at date of acquisition of \$56.6 million (the "Consideration Shares"). An amount equal to \$16.0 million of the cash portion of the Purchase Consideration and all of the Consideration Shares were placed in escrow at closing as security for the Sellers' indemnification and other obligations under the Purchase Agreement. Any Purchase Consideration remaining in

escrow will be released to the Sellers two years following the closing date, net of any pending indemnification or other claims under the Purchase Agreement.

The Purchase Consideration was allocated to the assets acquired and liabilities assumed, including identifiable intangible assets, based on their respective fair values at the date of acquisition. None of the goodwill or intangible asset amounts are

85

---

Table of ContentsIndex to Consolidated Financial Statements

expected to be deductible for income tax purposes. Pro-forma results of operations, assuming this acquisition was made at the beginning of the earliest period presented, have not been presented because the effect of this acquisition was not material to the Company's results. The net assets of the Acquired Companies and their results from operations after the acquisition are included in the Money Transfer Segment's results.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the acquisition date.

(in thousands)	As of May 20, 2014	
Cash and cash equivalents	\$103,319	
Derivative assets	26,597	
Other current assets	2,895	
Intangible assets	102,841	
Other long-term assets	627	
Total assets acquired	236,279	
Trade accounts payable	(1,253	)
Accrued expenses and other current liabilities	(7,037	)
Derivative liabilities	(18,187	)
Settlement obligations and customer deposits	(97,781	)
Deferred tax liabilities	(22,822	)
Other long-term liabilities	(677	)
Total liabilities assumed	(147,757	)
Goodwill	156,053	
Net assets acquired	\$244,575	

The intangible assets of the Acquired Companies are being amortized on a straight-line basis, and the estimated fair values consist of the following:

(in thousands)	Fair Value	Estimated Useful Life
Proprietary software	\$61,704	10 years
Customer relationships	26,764	8 - 10 years
Trade names	12,247	20 years
Non-compete agreements	2,126	3 years
Total intangible assets	\$102,841	

## 2013 Acquisitions

On January 4, 2013, the Company acquired all of the common stock of an Australian company, Pure Commerce Pty Limited ("Pure Commerce"), which offers industry leading currency conversion and multi-currency acquiring products to global, local and online merchant acquirers, banks and retailers. The purchase price consisted of cash of approximately \$31.3 million, subject to customary purchase price adjustments, and \$5.3 million of the Company's common stock. With respect to the stock portion of the purchase price and pursuant to the acquisition agreement, the Company issued at closing 224,425 shares of common stock to the shareholders of Pure Commerce. Further, Euronet agreed, pursuant to an earnout provision, to pay additional purchase consideration of up to \$30.0 million Australian dollars if certain performance targets were met during the measurement period ending December 31, 2013. As of the acquisition date, the fair value of the contingent consideration liability was \$21.7 million. Pure Commerce did not meet the minimum performance targets necessary to require the Company to pay contingent consideration. See Note

17, Financial Instruments and Fair Value Measurements, for additional information related to the contingent consideration liability.

86

---

Table of ContentsIndex to Consolidated Financial Statements

The following table summarizes the fair values of the acquired net assets at the acquisition date:

(dollar amounts in thousands)	Estimated Life		
Current assets			\$4,805
Property and equipment	2 - 8 years	331	
Non-compete agreements	4 years	755	
Proprietary software	10 years	11,912	
Customer relationships	12 years	18,230	
Trademarks and trade names	20 years	2,382	
Goodwill	Indefinite	27,917	
Other non-current assets		402	
Fair value of assets		66,734	
Current liabilities		(4,783	)
Other non-current liabilities		(3,683	)
Net assets acquired			\$58,268

## (6) Restricted Cash

The restricted cash balances as of December 31, 2015 and 2014 were as follows:

(in thousands)	As of December 31,	
	2015	2014
Cash held in trust and/or cash held on behalf of others	\$37,121	\$62,106
Collateral on bank credit arrangements and other	8,191	5,922
Total	\$45,312	\$68,028

Cash held in trust and/or cash held on behalf of others is in connection with the administration of the customer collection and vendor remittance activities by certain subsidiaries within the Company's epay and EFT Processing Segments. Amounts collected on behalf of certain mobile phone operators and/or merchants are deposited into a restricted cash account. The bank credit arrangements primarily represent cash collateral on deposit with commercial banks to cover guarantees.

## (7) Property and Equipment, Net

The components of property and equipment, net of accumulated depreciation and amortization as of December 31, 2015 and 2014 are as follows:

(in thousands)	As of December 31,	
	2015	2014
ATMs	\$176,221	\$141,249
POS terminals	44,113	48,674
Vehicles and office equipment	55,031	51,115
Computers and software	122,106	123,261
Land and buildings	2,008	615
	399,479	364,914
Less accumulated depreciation and amortization	(242,111	) (239,607
Total	\$157,368	\$125,307





Table of ContentsIndex to Consolidated Financial Statements

Depreciation and amortization expense related to property and equipment, including property and equipment recorded under capital leases, for the years ended December 31, 2015, 2014 and 2013 was \$40.2 million, \$42.0 million and \$39.7 million, respectively.

## (8) Goodwill and Acquired Intangible Assets, Net

Goodwill represents the excess of the purchase price of the acquired business over the estimated fair value of the underlying net tangible and intangible assets acquired. The following table summarizes intangible assets as of December 31, 2015 and 2014:

(in thousands)	As of December 31, 2015		As of December 31, 2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	\$174,219	\$(96,144 )	\$145,019	\$(86,997 )
Trademarks and trade names	55,706	(19,323 )	54,473	(17,061 )
Software	65,634	(13,820 )	68,898	(8,145 )
Non-compete agreements	3,508	(1,808 )	3,030	(950 )
Total	\$299,067	\$(131,095 )	\$271,420	\$(113,153 )

The following table summarizes the goodwill and amortizable intangible assets activity for the years ended December 31, 2015 and 2014:

(in thousands)	Acquired Intangible Assets	Goodwill	Total Intangible Assets
Balance as of January 1, 2014	\$93,026	\$498,435	\$591,461
Increases (decreases):			
2014 acquisitions	102,841	156,053	258,894
Amortization	(24,433 )		(24,433 )
Other (primarily changes in foreign currency exchange rates)	(13,167 )	(54,625 )	(67,792 )
Balance as of December 31, 2014	158,267	599,863	758,130
Increases (decreases):			
2015 acquisitions	50,497	143,461	193,958
Amortization	(23,879 )	—	(23,879 )
Other (primarily changes in foreign currency exchange rates)	(16,913 )	(58,146 )	(75,059 )
Balance as of December 31, 2015	\$167,972	\$685,178	\$853,150

The Company performs its annual goodwill impairment test during the fourth quarter of each year. The annual goodwill impairment test completed during the fourth quarter of 2015 and 2014 resulted in no impairment charges. As a result of the 2013 annual goodwill impairment tests, the Company recorded non-cash goodwill impairment charges of \$18.4 million.

In performing the annual goodwill impairment test, management must apply judgment in determining the estimated fair value of a business and uses all available information to make these fair value determinations, including discounted projected future cash flow analysis using discount rates commensurate with the risks involved in the assets, together with comparable sales prices that the Company or another purchaser would likely pay for the respective assets.

Of the total goodwill balance of \$685.2 million as of December 31, 2015, \$474.3 million relates to the Money Transfer Segment, \$158.1 million relates to the epay Segment and the remaining \$52.7 million relates to the EFT Processing Segment. Amortization expense for intangible assets with finite lives was \$23.9 million, \$24.4 million and \$21.1 million for the years ended December 31, 2015, 2014 and 2013, respectively. Estimated annual amortization expense, before income taxes, on intangible assets with finite lives as of December 31, 2015, is expected to total \$24.3 million for 2016, \$22.2 million for 2017, \$20.0 million for 2018, \$19.3 million for 2019 and \$18.7 million for 2020.

Table of ContentsIndex to Consolidated Financial Statements

## 2013 Impairment Charges

As a result of the 2013 annual goodwill impairment test, the Company recorded non-cash goodwill impairment charges related to its epay reporting units in Australia and Spain of \$12.3 million and \$6.1 million, respectively. The goodwill impairment charge in Australia was the result of continuing declines in the demand for mobile top-up services, caused by certain large retailers (which have a significant share of the retail market) negotiating direct agreements with two mobile operators and certain mobile operators modifying their distribution strategies to drive consumer demand for top-up services to on-line or mobile device channels. In Spain, the goodwill impairment charge was the result of the longer term effect of poor economic conditions, including continued high levels of unemployment and increased competitive pressures. In response to the business challenges in Australia and Spain, the Company has continued to sell additional products and services to mobile operators and develop strategies to increase the distribution of other prepaid products. However, in the fourth quarter of 2013, the Company concluded that while future cash flows from existing agreements with mobile operators and from the launch of new products would likely grow steadily over time, the growth would not add the level of cash flows previously forecasted. Based upon these revised future cash flow forecasts, the Company concluded that the resulting valuations were not sufficient to support the goodwill carrying values of epay Australia and epay Spain. Therefore, the impairment charges were recorded in the period. There are no remaining goodwill or acquired intangible assets in the epay Australia and Spain reporting units as of December 31, 2013.

## (9) Accrued Expenses and Other Current Liabilities

The balances as of December 31, 2015 and 2014 were as follows:

(in thousands)	As of December 31,	
	2015	2014
Accrued expenses	\$ 125,354	\$ 97,115
Accrued amounts due to mobile operators and other content providers	71,762	64,839
Money transfer settlement obligations	159,854	137,285
Derivative liabilities	25,903	36,439
Deferred income taxes	—	683
Total	\$ 382,873	\$ 336,361

Table of ContentsIndex to Consolidated Financial Statements

## (10) Debt Obligations

Debt obligations consist of the following as of December 31, 2015 and 2014:

(in thousands)	As of December 31,	
	2015	2014
Credit Facility:		
Term loan, due 2019	\$67,031	\$72,187
Revolving credit agreements, due 2019	7,701	5,316
	74,732	77,503
Convertible Debt:		
1.50% convertible notes, unsecured, due 2044	347,878	337,986
Other obligations	5,731	6,035
Total debt obligations	\$428,341	\$421,524
Unamortized debt issuance costs	(10,809 )	(13,112 )
Carrying value of debt	\$417,532	\$408,412
Short-term debt obligations and current maturities of long-term debt obligations	(12,060 )	(11,156 )
Long-term debt obligations	\$405,472	\$397,256

As of December 31, 2015, aggregate annual maturities of long-term debt are \$7.1 million in 2016, \$9.6 million in 2017, \$13.6 million in 2018, \$45.2 million in 2019, \$402.5 million in 2020 and none thereafter. This maturity schedule reflects the term loan and revolving credit facilities maturing in 2019 and the convertible notes maturing in 2020, coinciding with the terms of the initial put option by holders of the notes.

## Credit Facility

On August 18, 2011, the Company and certain of its subsidiaries entered into an Amended and Restated Credit Agreement (the "Credit Agreement") with a lending syndicate consisting of nine banks (the "Lenders") with Bank of America, N.A. serving as Administrative Agent and Collateral Agent and U.S. Bank National Association serving as Syndication Agent.

On April 9, 2014, the Company amended and restated the Credit Agreement to, among other things, (i) increase the amount of Term Loan A from \$66 million to \$75 million, (ii) increase the aggregate credit commitments under the revolving credit facility from \$400 million to \$600 million, (iii) reduce the margin over the London Inter-Bank Offered Rate ("LIBOR") rate and base rate by 12.5 basis points, and (iv) extend the expiration date of the Credit Agreement from August 18, 2016 to April 9, 2019. In connection with the amendment, the Company incurred \$2.5 million in debt issuance costs, which are being amortized over the term of the Credit Facility.

Under the Credit Agreement, the Lenders have made available a \$675 million senior secured credit facility (the "Credit Facility") consisting of a \$590 million five-year revolving credit facility, a \$10 million five-year India revolving credit facility and a \$75 million five-year term loan which has been reduced to \$67 million as of December 31, 2015 through principal amortization payments. The revolving credit facility allows for borrowings in U.S. dollars, euro, British pound sterling, Australian dollars and/or Indian rupees. The revolving credit facility contains a \$200 million sublimit for the issuance of letters of credit and a \$25 million sublimit for swingline loans.

Table of ContentsIndex to Consolidated Financial Statements

Fees and interest on borrowings vary based upon the Company's consolidated total leverage ratio (as defined in the Credit Agreement) and will be based, in the case of letter of credit fees, on a margin, and in the case of interest, on a margin over London Inter-Bank Offered Rate ("LIBOR") or a margin over the base rate, as selected by the Company, with the applicable margin ranging from 1.375% to 2.375% (or 0.375% to 1.375% for base rate loans). The base rate is the highest of (i) the Bank of America prime rate, (ii) the Federal Funds rate plus 0.50% or (iii) the Fixed LIBOR rate plus 1.00%. The term loan is subject to scheduled quarterly amortization payments, as set forth in the Credit Agreement. The maturity date for the Credit Facility is April 9, 2019, at which time the outstanding principal balance and all accrued interest will be due and payable in full. The weighted average interest rates of the Company's borrowings under the term loan and revolving credit facility were 1.8% and 10.1%, respectively, as of December 31, 2015, and 1.5% and 11.3%, respectively as of December 31, 2014. The weighted average interest rate under the revolving credit facility was higher than the Term Loan A due to the higher borrowing rate related to the India credit facility.

As of December 31, 2015 and 2014, the Company had stand-by letters of credit/bank guarantees outstanding against the revolving credit facility of \$42.0 million and \$63.6 million, respectively. Stand-by letters of credit/bank guarantees reduce the Company's borrowing capacity under the revolving credit facility and are generally used to secure trade credit and performance obligations. The Company pays an interest rate for stand-by letters of credit/bank guarantees at a rate that may adjust each quarter based upon the Company's consolidated total leverage ratio. As of December 31, 2015 and 2014, the stand-by letters of credit interest charges was 1.4% per annum.

The Credit Agreement contains customary affirmative and negative covenants, events of default and financial covenants, including (all as defined in the Credit Agreement): (i) a Consolidated Total Leverage Ratio not to exceed 4.0 to 1.0; and (ii) a Consolidated Fixed Charge Coverage Ratio of not less than 1.5 to 1.0. Subject to meeting certain leverage ratio and liquidity requirements (as defined in the Credit Agreement), the Company is permitted to pay dividends, repurchase common stock and repurchase subordinated debt.

The Company and certain subsidiaries have guaranteed the repayment of obligations under the Credit Facility and have granted pledges of the shares of certain subsidiaries along with a security interest in certain other personal property collateral of the Company and certain subsidiaries.

**Convertible Debt**

On October 30, 2014, the Company completed the sale of \$402.5 million of Convertible Senior Notes due 2044 ("Convertible Notes"). The Convertible Notes have an interest rate of 1.5% per annum payable semi-annually in April and October, and are convertible into shares of Euronet Common Stock at a conversion price of approximately \$72.18 per share if certain conditions are met (relating to the closing prices of Euronet Common Stock exceeding certain thresholds for specified periods). Holders of the Convertible Notes have the option to require the Company to purchase their notes at par on October 1, 2020, and have additional options to require the Company to purchase their notes at par on October 1, 2024, 2029, 2034, and 2039, or upon a change in control of the Company. In connection with the issuance of the Convertible Notes, the Company recorded \$10.7 million in debt issuance costs, which are being amortized through October 1, 2020.

In accordance with ASC 470-20-30-27, proceeds from the issuance of convertible debt is allocated between debt and equity components so that debt is discounted to reflect the Company's nonconvertible debt borrowing rate. ASC 470-20-35-13 requires the debt discount to be amortized over the period the convertible debt is expected to be outstanding as additional non-cash interest expense. The allocation resulted in an increase to additional paid in capital of \$66.1 million.

Contractual interest expense was \$6.0 million and \$0.9 million for the years ended December 31, 2015 and 2014, respectively. Discount accretion was \$9.9 million and \$1.6 million for the years ended December 31, 2015 and 2014, respectively. As of December 31, 2015 and 2014, unamortized discounts were \$54.6 million and \$64.5 million, respectively. The discount will be amortized through October 1, 2020. The effective interest rate was 4.7% for the years ended December 31, 2015 and 2014.

**Other obligations**

Certain of the Company's subsidiaries have available lines of credit and an overdraft credit facility that generally provide for short-term borrowings that are used from time to time for working capital purposes. As of December 31, 2015 and 2014, borrowings under these arrangements were \$5.7 million and \$6.0 million, respectively. As of December 31, 2015, there was \$5.0 million due in 2016 under these other obligation arrangements.

(11) Derivative Instruments and Hedging Activities

The Company is exposed to foreign currency exchange risk resulting from (i) the collection of funds or the settlement of money transfer transactions in currencies other than the U.S. dollar, (ii) derivative contracts written to its customers in connection with providing cross-currency money transfer services and (iii) short-term borrowings that are payable in currencies other than the U.S. dollar. The Company enters into foreign currency derivative contracts, primarily foreign currency forwards and cross-

Table of ContentsIndex to Consolidated Financial Statements

currency swaps, to minimize its exposure related to fluctuations in foreign currency exchange rates. As a matter of Company policy, the derivative instruments used in these activities are economic hedges and are not designated as hedges under ASC Topic 815, Derivatives and Hedging, primarily due to either the relatively short duration of the contract term or the effects of fluctuations in currency exchange rates are reflected concurrently in earnings for both the derivative instrument and the transaction and have an offsetting effect.

## Foreign currency exchange contracts - Ria Operations

In the United States, the Company uses short-duration foreign currency forward contracts, generally with maturities up to 14 days, to offset the fluctuation in foreign currency exchange rates on the collection of money transfer funds between initiation of a transaction and its settlement. Due to the short duration of these contracts and the Company's credit profile, the Company is generally not required to post collateral with respect to these foreign currency forward contracts. Most derivative contracts executed with counterparties in the U.S. are governed by an International Swaps and Derivatives Association agreement that includes standard netting arrangements; therefore, asset and liability positions from forward contracts and all other foreign exchange transactions with the same counterparty are net settled upon maturity.

As of December 31, 2015, the Company had foreign currency forward contracts outstanding in the U.S. with a notional value of \$211 million, primarily in Australian dollars, Canadian dollars, British pounds, euros and Mexican pesos.

## Foreign currency exchange contracts - HiFX Operations

As discussed in Note 5, Acquisitions, on May 20, 2014, the Company acquired EIM (FX) Limited, which owns subsidiaries that operate under the brand name HiFX. HiFX writes derivative instruments, primarily foreign currency forward contracts and cross-currency swaps, mostly with counterparties comprised of individuals and small-to-medium size businesses and derives a currency margin from this activity as part of its operations. HiFX aggregates its foreign currency exposures arising from customer contracts and hedges the resulting net currency risks by entering into offsetting contracts with established financial institution counterparties. Foreign exchange revenues from HiFX's total portfolio of positions were \$62.8 million and \$37.3 million for the years ended December 31, 2015 and 2014, respectively. All of the derivative contracts used in the Company's HiFX operations are economic hedges and are not designated as hedges under ASC Topic 815, Derivatives and Hedging. The duration of these derivative contracts is generally less than one year.

The fair value of HiFX's total portfolio of positions can change significantly from period to period based on, among other factors, market movements and changes in customer contract positions. HiFX manages counterparty credit risk (the risk that counterparties will default and not make payments according to the terms of the agreements) on an individual counterparty basis. It mitigates this risk by entering into contracts with collateral posting requirements and/or by performing financial assessments prior to contract execution, conducting periodic evaluations of counterparty performance and maintaining a diverse portfolio of qualified counterparties. HiFX does not expect any significant losses from counterparty defaults.

The aggregate equivalent U.S. dollar notional amounts of foreign currency derivative customer contracts held by the Company in its HiFX operations as of December 31, 2015 was approximately \$844.9 million. The significant majority of customer contracts are written in major currencies such as the euro, U.S. dollar, British pound, Australian dollar and New Zealand dollar.

## Balance Sheet Presentation

The following table summarizes the fair value of the derivative instruments as recorded in the Consolidated Balance Sheets as of the dates below:

	Asset Derivatives		Liability Derivatives
		Fair Value	Fair Value
(in thousands)			



Edgar Filing: EURONET WORLDWIDE INC - Form 10-K

	Balance Sheet	December 31	December 31,	Balance Sheet	December 31	December 31,
	Location	2015	2014	Location	2015	2014
Derivatives not designated as hedging instruments						
Foreign currency exchange contracts	Other current assets	\$37,034	\$ 41,151	Other current liabilities	\$(25,891 )	\$(36,439 )

Table of ContentsIndex to Consolidated Financial Statements

The following tables summarize the gross and net fair value of derivative assets and liabilities as of December 31, 2015 and 2014 (in thousands):

## Offsetting of Derivative Assets

As of December 31, 2015	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		
				Financial Instruments	Cash Collateral Received	Net Amounts
Derivatives subject to a master netting arrangement or similar agreement	\$37,034	\$—	\$37,034	\$(19,786 )	\$(6,415 )	\$10,833

## As of December 31, 2014

Derivatives subject to a master netting arrangement or similar agreement	\$41,151	\$—	\$41,151	\$(28,113 )	\$(5,279 )	\$7,759
--	----------	-----	----------	-------------	------------	---------

## Offsetting of Derivative Liabilities

As of December 31, 2015	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		
				Financial Instruments	Cash Collateral Paid	Net Amounts
Derivatives subject to a master netting arrangement or similar agreement	\$(25,891 )	\$—	\$(25,891 )	\$19,786	\$1,741	\$(4,364 )

## As of December 31, 2014

Derivatives subject to a master netting arrangement or similar agreement	\$(36,439 )	\$—	\$(36,439 )	\$28,113	\$176	\$(8,150 )
--	-------------	-----	-------------	----------	-------	------------

## Income Statement Presentation

The following tables summarize the location and amount of gains and losses of derivatives in the Consolidated Statements of Income for the years ended December 31, 2015, 2014 and 2013:

(in thousands)	Location of Gain (Loss) Recognized in Income on Derivative Contracts	Amount of Gain (Loss) Recognized in Income on Derivative Contracts (a) Year Ended December 31,		
		2015	2014	2013

Edgar Filing: EURONET WORLDWIDE INC - Form 10-K

Foreign currency exchange contracts - Ria Operations	Foreign currency exchange (loss) gain, net	\$1,026	\$2,300	\$(850)	)
--	--	---------	---------	---------	---

(a) The Company enters into derivative contracts such as foreign currency exchange forwards and cross-currency swaps as part of its HiFX operations. These derivative contracts are excluded from this table as they are part of the broader disclosure of foreign currency exchange revenues for this business discussed above.

See Note 17, Financial Instruments and Fair Value Measurements, for the determination of the fair values of derivatives.

Table of ContentsIndex to Consolidated Financial Statements

## (12) Leases

## Capital leases

The Company leases certain of its ATMs, computer equipment and vehicles under capital lease agreements that expire between the years of 2016 and 2020 and bear interest at rates between 2.2% and 15.0%. The lessors for these leases hold a security interest in the equipment leased under the respective capital lease agreements. Lease installments are paid on a monthly, quarterly or semi-annual basis. Certain leases contain a bargain purchase option at the conclusion of the lease period.

The gross amount of the assets and related accumulated amortization recorded within property and equipment and subject to capital leases as of December 31, 2015 and 2014 were as follows:

(in thousands)	As of December 31,	
	2015	2014
ATMs	\$10,307	\$9,933
Other	1,587	1,631
Subtotal	11,894	11,564
Less accumulated amortization	(4,618 )	(1,748 )
Total	\$7,276	\$9,816

Non-cash financing and investing activities for the years ended December 31, 2015, 2014 and 2013 represented capital lease obligations of \$6.4 million, \$2.2 million and \$0.9 million, respectively, incurred when the Company entered into leases primarily for new ATMs, to upgrade ATMs or for data center computer equipment.

## Operating leases

The Company has non-cancelable operating leases that expire between the years of 2016 and 2026. Certain of these leases contain renewal options and escalation provisions. The Company recognizes rent expense under the straight-line method over the term of the lease. Rent expense for the years ended December 31, 2015, 2014 and 2013 amounted to \$59.0 million, \$57.0 million and \$54.0 million, respectively.

## Future minimum lease payments

Future minimum lease payments under the capital leases and the non-cancelable operating leases (with initial lease terms in excess of one year) as of December 31, 2015 are:

(in thousands)	Capital Leases	Operating Leases
Year ending December 31,		
2016	\$1,360	\$47,079
2017	2,004	36,957
2018	1,669	28,134
2019	1,438	19,400
2020	404	13,772
Thereafter	—	11,664
Total minimum lease payments	6,875	\$157,006
Less amounts representing interest	(737 )	
Present value of net minimum capital lease payments	6,138	

Less current portion of obligations under capital leases	(1,991	)
Obligations under capital leases, less current portion	\$4,147	

Table of ContentsIndex to Consolidated Financial Statements

## (13) Income Taxes

The sources of income before income taxes for the years ended December 31, 2015, 2014 and 2013 are presented as follows:

(in thousands)	Year Ended December 31,		
	2015	2014	2013
Income before taxes:			
United States	\$10,686	\$7,337	\$18,560
Foreign	130,408	134,166	96,525
Total income before income taxes	\$141,094	\$141,503	\$115,085

The Company's income tax expense for the years ended December 31, 2015, 2014 and 2013 consisted of the following:

(in thousands)	Year Ended December 31,		
	2015	2014	2013
Current tax expense:			
U.S.	\$1,277	\$133	\$2,114
Foreign	45,150	44,780	31,791
Total current	46,427	44,913	33,905
Deferred tax expense (benefit):			
U.S.	2,037	628	(1,470)
Foreign	(5,862)	(5,526)	(4,703)
Total deferred	(3,825)	(4,898)	(6,173)
Total tax expense	\$42,602	\$40,015	\$27,732

The following is a reconciliation of the federal statutory income tax rate of 35% to the effective income tax rate for 2015, 2014 and 2013:

(dollar amounts in thousands)	Year Ended December 31,		
	2015	2014	2013
U.S. federal income tax expense at applicable statutory rate	\$49,383	\$49,526	\$40,280
Tax effect of:			
State income tax expense at statutory rates	894	(985)	1,756
Non-deductible expenses	4,947	4,943	4,926
Share-based compensation	(684)	(266)	(733)
Other permanent differences	(5,505)	(5,563)	(1,442)
Difference between U.S. federal and foreign tax rates	(13,615)	(13,677)	(9,519)
Provision in excess of statutory rates	2,400	955	1,180
Change in federal and foreign valuation allowance	1,724	4,357	(9,038)
Impairment of goodwill	—	—	4,460
Acquisition-related contingent consideration gain	—	—	(6,762)
Other	3,058	725	2,624
Total income tax expense	\$42,602	\$40,015	\$27,732
Effective tax rate	30.2	% 28.3	% 24.1



Table of ContentsIndex to Consolidated Financial Statements

The tax effect of temporary differences and carryforwards that give rise to deferred tax assets and liabilities from continuing operations are as follows:

(in thousands)	As of December 31,	
	2015	2014
Deferred tax assets:		
Tax loss carryforwards	\$38,335	\$31,411
Share-based compensation	6,618	6,135
Accrued expenses	15,826	12,967
Property and equipment	6,723	2,229
Goodwill and intangible amortization	20,467	26,280
Intercompany notes	15,365	9,329
Accrued revenue	11,502	5,596
Other	11,369	10,155
Gross deferred tax assets	126,205	104,102
Valuation allowance	(48,566)	(49,449)
Net deferred tax assets	77,639	54,653
Deferred tax liabilities:		
Intangibles related to purchase accounting	(30,722)	(25,422)
Goodwill and intangible amortization	(7,615)	(7,239)
Accrued expenses	(13,563)	(7,707)
Intercompany notes	(2,587)	(3,731)
Accrued interest	(29,604)	(23,628)
Capitalized research and development	(5,014)	(2,499)
Property and equipment	(5,428)	(1,809)
Accrued revenue	(4,155)	(2,126)
Other	(4,413)	(5,400)
Total deferred tax liabilities	(103,101)	(79,561)
Net deferred tax liabilities	\$(25,462)	\$(24,908)

Subsequently recognized tax benefits relating to the valuation allowance for deferred tax assets as of December 31, 2015 are expected to be allocated to income taxes in the Consolidated Statements of Income with the following exception. The tax benefit of net operating losses generated from share-based compensation have been excluded from the amounts disclosed for tax loss carryforwards and valuation allowance to the extent the benefit will be recognized in equity if realized. The excluded tax benefit of \$34.3 million will be allocated to additional paid-in capital when utilized to offset taxable income.

As of December 31, 2015, and 2014, the Company's U.S. federal and foreign tax loss carryforwards were \$229.2 million and \$180.1 million, respectively, and U.S. state tax loss carryforwards were \$88.7 million and \$62.7 million, respectively.

In assessing the Company's ability to realize deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not the Company will only realize the benefits of these



deductible differences, net of the existing valuation allowances, as of December 31, 2015.

Table of ContentsIndex to Consolidated Financial Statements

As of December 31, 2015, the Company had U.S. federal and foreign tax net operating loss carryforwards of \$229.2 million, which will expire as follows:

(in thousands)	Gross	Tax Effectuated
Year ending December 31,		
2016	\$4,218	\$1,017
2017	1,881	432
2018	1,312	277
2019	3,144	773
2020	6,587	1,418
Thereafter	183,585	57,847
Unlimited	28,511	7,214
Total	\$229,238	\$68,978

In addition, the Company's state tax net operating loss carryforwards of \$88.7 million will expire periodically from 2016 through 2035.

No provision has been made in the accounts as of December 31, 2015 for U.S. federal and state income taxes which would be payable if the gross undistributed earnings of the foreign subsidiaries were distributed to the Company since management has determined that the earnings are permanently reinvested. Gross undistributed earnings reinvested indefinitely in foreign subsidiaries aggregated \$767 million as of December 31, 2015. The determination of the amount of unrecognized deferred U.S. income tax liabilities and foreign tax credits, if any, is not practicable to calculate at this time.

Accounting for uncertainty in income taxes

A reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended December 31, 2015 and 2014 is as follows:

(in thousands)	Year Ended December 31,	
	2015	2014
Beginning balance	\$15,028	\$14,242
Additions based on tax positions related to the current year	3,620	2,427
Reductions for tax positions of prior years	(1,360)	(1,641)
Settlements	(918)	—
Ending balance	\$16,370	\$15,028

As of December 31, 2015 and 2014, approximately \$11.5 million and \$10.1 million, respectively, of the unrecognized tax benefits would impact the Company's provision for income taxes and effective income tax rate, if recognized. Unrecognized tax benefits of approximately \$1.7 million are presented in the December 31, 2015 financial statements as a reduction to the Company's deferred tax asset for tax loss carryforwards. Total estimated accrued interest and penalties related to the underpayment of income taxes was \$3.1 million and \$2.8 million as of December 31, 2015 and 2014, respectively. The following income tax years remain open in the Company's major jurisdictions as of December 31, 2015:

Jurisdictions	Periods
U.S. (Federal)	2000 through 2002, 2004 through 2006, 2010, and 2012 through 2015
Spain	2009 through 2015
Australia	2010 through 2015
U.K.	2009 through 2015
Germany	2009 through 2015



Table of ContentsIndex to Consolidated Financial Statements

The application of ASC 740-10-25 and -30 requires significant judgment in assessing the outcome of future income tax examinations and their potential impact on the Company's estimated effective income tax rate and the value of deferred tax assets, such as those related to the Company's net operating loss carryforwards. It is reasonably possible that the balance of gross unrecognized tax benefits could significantly change within the next twelve months as a result of the resolution of audit examinations and expirations of certain statutes of limitations and, accordingly, materially affect the Company's operating results. At this time, it is not possible to estimate the range of change due to the uncertainty of potential outcomes.

## (14) Valuation and Qualifying Accounts

Accounts receivable balances are stated net of allowance for doubtful accounts. Historically, the Company has not experienced significant write-offs. The Company records allowances for doubtful accounts when it is probable that the accounts receivable balance will not be collected. The following table provides a summary of the allowance for doubtful accounts balances and activity for the years ended December 31, 2015, 2014 and 2013:

(in thousands)	Year Ended December 31,		
	2015	2014	2013
Beginning balance-allowance for doubtful accounts	\$20,546	\$22,079	\$21,512
Additions-charged to expense	8,209	11,156	7,007
Amounts written off	(7,862 )	(10,573 )	(6,068 )
Other (primarily changes in foreign currency exchange rates)	(1,753 )	(2,116 )	(372 )
Ending balance-allowance for doubtful accounts	\$19,140	\$20,546	\$22,079

## (15) Stock Plans

The Company has share-based compensation plans ("SCP") that allow it to grant restricted shares, or options to purchase shares, of Common Stock to certain current and prospective key employees, directors and consultants of the Company. These awards generally vest over periods ranging from three to seven years from the date of grant, are generally exercisable during the shorter of a ten-year term or the term of employment with the Company. Certain stock option grants vest over a five-year period, subject to the achievement of pre-determined performance targets. With the exception of certain awards made to the Company's employees in Germany and Singapore, awards under the SCP are settled through the issuance of new shares under the provisions of the SCP. For Company employees in Germany and Singapore, certain awards are settled through the issuance of treasury shares, which also reduces the number of shares available for future issuance under the SCP. As of December 31, 2015, the Company has approximately 4.8 million in total shares remaining available for issuance under the SCP.

Share-based compensation expense was \$12.8 million, \$12.9 million and \$11.5 million for the years ended December 31, 2015, 2014 and 2013, respectively, and was recorded in salaries and benefits expense in the accompanying Consolidated Statements of Income. The Company recorded a tax benefit of \$0.7 million, \$0.8 million and \$0.6 million during the years ended December 31, 2015, 2014 and 2013, respectively, for the portion of this expense that relates to foreign tax jurisdictions in which an income tax benefit is expected to be derived.

Table of ContentsIndex to Consolidated Financial Statements

## Stock options

Summary stock options activity is presented in the table below:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (thousands)
Balance at December 31, 2014 (1,804,760 shares exercisable)	3,787,044	\$23.11		
Granted	464,336	\$73.42		
Exercised	(461,809 )	\$16.91		
Forfeited/Canceled	(563,350 )	\$22.23		
Balance at December 31, 2015	3,226,221	\$31.40	6.4	\$133,098
Exercisable at December 31, 2015	1,907,094	\$18.25	5.0	\$103,323
Vested and expected to vest at December 31, 2015	3,019,465	\$29.58	6.2	\$129,954

Options outstanding that are expected to vest are net of estimated future forfeitures. The Company received cash of \$7.8 million, \$9.1 million and \$13.6 million in connection with stock options exercised in the years ended December 31, 2015, 2014 and 2013, respectively. The intrinsic value of these options exercised was \$22.8 million, \$18.2 million and \$18.6 million in the years ended December 31, 2015, 2014 and 2013, respectively. As of December 31, 2015, unrecognized compensation expense related to nonvested stock options that are expected to vest totaled \$18.4 million and will be recognized over the next 5 years, with an overall weighted-average period of 3.9 years. The following table provides the fair value of options granted under the SCP during 2015, 2014 and 2013, together with a description of the assumptions used to calculate the fair value using the Black-Scholes-Merton option-pricing model:

	Year ended December 31,			
	2015	2014	2013	
Volatility	32.7	% 32.8	% 41.9	%
Risk-free interest rate - weighted average	1.7	% 1.7	% 1.6	%
Risk-free interest rate - range	1.71% to 1.75%	1.67% to 1.88%	(a)	
Dividend yield	—	% —	% —	%
Assumed forfeitures	8.0	% 8.0	% 8.0	%
Expected lives	5.4 years	5.5 years	5.4 years	
Weighted-average fair value (per share)	\$24.29	\$18.57	\$18.43	

(a) At the date of grant, the risk free rate for stock options awarded in 2013 was 1.6%.

## Restricted stock

Restricted stock awards vest based on the achievement of time-based service conditions and/or performance-based conditions. For certain awards, vesting is based on the achievement of more than one condition of an award with multiple time-based and/or performance-based conditions.

Summary restricted stock activity is presented in the table below:

Number of	Weighted Average Grant
-----------	------------------------------

Edgar Filing: EURONET WORLDWIDE INC - Form 10-K

	Shares	Date Fair Value Per Share
Nonvested at December 31, 2014	747,316	\$32.03
Granted	168,357	\$72.52
Vested	(320,901 )	\$24.79
Forfeited	(21,944 )	\$43.82
Nonvested at December 31, 2015	572,828	\$47.54

99

---

Table of ContentsIndex to Consolidated Financial Statements

The fair value of shares vested in the years ended December 31, 2015, 2014 and 2013 was \$19.9 million, \$14.9 million and \$7.3 million, respectively. As of December 31, 2015, there was \$10.3 million of total unrecognized compensation cost related to unvested time-based restricted stock, which is expected to be recognized over a weighted-average period of 4.0 years. As of December 31, 2015, there was \$7.9 million of total unrecognized compensation costs related to unvested performance-based restricted stock, which is expected to be recognized based on Company performance over a weighted-average period of 1.8 years. The weighted average grant date fair value of restricted stock granted during the years ended December 31, 2015, 2014 and 2013 was \$72.52, \$53.12 and \$43.47 per share, respectively.

## Employee stock purchase plan

The Company has a qualified Employee Stock Purchase Plan (the "ESPP"), which allows qualified employees (as defined by the plan documents) to participate in the purchase of rights to purchase designated shares of the Company's Common Stock at a price equal to the lower of 85% of the closing price at the beginning or end of each quarterly offering period. The Company reserved 1,000,000 shares of Common Stock for purchase under the ESPP. Pursuant to the ESPP, during the years ended December 31, 2015, 2014 and 2013, the Company issued 54,421, 50,470 and 44,323 rights, respectively, to purchase shares of Common Stock at a weighted average price per share of \$52.62, \$38.04 and \$25.06, respectively. The grant date fair value of the option to purchase shares at the lower of the closing price at the beginning or end of the quarterly period, plus the actual total discount provided, are recorded as compensation expense. Total compensation expense recorded was \$0.7 million, \$0.5 million, and \$0.2 million for the years ended December 31, 2015, 2014 and 2013, respectively. The following table provides the weighted-average fair value of the ESPP stock purchase rights during the years ended December 31, 2015, 2014 and 2013 and the assumptions used to calculate the fair value using the Black-Scholes-Merton option-pricing model:

	Year Ended December 31,		
	2015	2014	2013
Volatility - weighted average	30.6	% 32.6	% 25.6
Volatility - range	25.9% to 41.9%	26.6% to 43.4%	20.9% to 29.6%
Risk-free interest rate - weighted average	0.01	% 0.03	% 0.04
Risk-free interest rate - range	0.00% to 0.03%	0.02% to 0.05%	0.02% to 0.08%
Dividend yield	—	% —	% —
Expected lives	3 months	3 months	3 months
Weighted-average fair value (per share)	\$12.44	\$9.16	\$5.72

Table of Contents

Index to Consolidated Financial Statements

(16) Business Segment Information

Euronet's reportable operating segments have been determined in accordance with ASC Topic 280, Segment Reporting. The Company currently operates in the following three reportable operating segments:

1) Through the EFT Processing Segment, the Company processes transactions for a network of ATMs and POS terminals across Europe, the Middle East and Asia Pacific. The Company provides comprehensive electronic payment solutions consisting of ATM cash withdrawal services, ATM network participation, outsourced ATM and POS management solutions, credit and debit card outsourcing, dynamic currency conversion and other value added services. Through this segment, the Company also offers a suite of integrated electronic financial transaction software solutions for electronic payment and transaction delivery systems.

2) Through the epay Segment, the Company provides distribution, processing and collection services for prepaid mobile airtime and other electronic payment products in Europe, the Middle East, Asia Pacific, the United States and South America.

3) Through the Money Transfer Segment, the Company provides global money transfer services under the brand names, Ria, HiFX, IME and XE. Ria and IME provide global consumer-to-consumer money transfer services through a network of sending agents, Company-owned stores and Company-owned websites, disbursing money transfers through a worldwide correspondent network. HiFX offers account-to-account international payment services to high-income individuals and small-to-medium sized businesses. XE is a provider of foreign currency exchange information and offers money transfers on its currency data websites, which are executed by a third party. The Company also offers customers bill payment services, payment alternatives such as money orders and prepaid debit cards, comprehensive check cashing services, foreign currency exchange services and mobile top-up. The Company provides cash management solutions and foreign currency risk management services to small-to-medium sized businesses under the brand name HiFM.

In addition, the Company accounts for non-operating activity, share-based compensation expense, certain intersegment eliminations and the costs of providing corporate and other administrative services in its administrative division, "Corporate Services, Eliminations and Other." These services are not directly identifiable with the Company's reportable operating segments.



Table of ContentsIndex to Consolidated Financial Statements

The following tables present the Company's reportable segment results for the years ended December 31, 2015, 2014 and 2013:

(in thousands)	For the Year Ended December 31, 2015				
	EFT Processing	epay	Money Transfer	Corporate Services, Eliminations and Other	Consolidated
Total revenues	\$379,523	\$708,373	\$685,635	\$(1,269 )	\$1,772,262
Operating expenses:					
Direct operating costs	182,136	542,747	358,154	(1,188 )	1,081,849
Salaries and benefits	45,364	49,752	137,077	26,969	259,162
Selling, general and administrative	25,822	38,272	85,096	7,195	156,385
Depreciation and amortization	31,807	11,163	26,650	405	70,025
Total operating expenses	285,129	641,934	606,977	33,381	1,567,421
Operating income (expense)	\$94,394	\$66,439	\$78,658	\$(34,650 )	\$204,841
Other income (expense)					
Interest income					2,170
Interest expense					(24,814 )
Other gains					315
Foreign currency exchange loss, net					(41,418 )
Total other expense, net					(63,747 )
Income before income taxes					\$141,094
Segment assets as of December 31, 2015	\$469,351	\$646,000	\$1,040,737	\$36,626	\$2,192,714
Property and equipment, net as of December 31, 2015	\$99,798	\$24,834	\$32,591	\$145	\$157,368

Table of ContentsIndex to Consolidated Financial Statements

	For the Year Ended December 31, 2014				
(in thousands)	EFT Processing	epay	Money Transfer	Corporate Services, Eliminations and Other	Consolidated
Total revenues	\$358,636	\$783,781	\$523,150	\$(1,417 )	\$1,664,150
Operating expenses:					
Direct operating costs	163,590	607,866	263,253	(1,230 )	1,033,479
Salaries and benefits	47,148	56,402	115,419	24,251	243,220
Selling, general and administrative	25,730	42,542	77,305	11,688	157,265
Depreciation and amortization	30,847	15,901	24,432	275	71,455
Total operating expenses	267,315	722,711	480,409	34,984	1,505,419
Operating income (expense)	\$91,321	\$61,070	\$42,741	\$(36,401 )	\$158,731
Other income (expense)					
Interest income					2,549
Interest expense					(12,330 )
Loss from unconsolidated affiliates					(46 )
Other losses					(1,755 )
Foreign currency exchange loss, net					(5,646 )
Total other expense, net					(17,228 )
Income before income taxes					\$141,503
Segment assets as of December 31, 2014	\$390,394	\$753,962	\$835,977	\$58,114	\$2,038,447
Property and equipment, net as of December 31, 2014	\$72,749	\$24,859	\$27,528	\$171	\$125,307

Table of ContentsIndex to Consolidated Financial Statements

(in thousands)	For the Year Ended December 31, 2013				
	EFT Processing	epay	Money Transfer	Corporate Services, Eliminations and Other	Consolidated
Total revenues	\$296,240	\$748,680	\$370,365	\$(2,116 )	\$1,413,169
Operating expenses:					
Direct operating costs	141,381	575,787	177,783	(2,023 )	892,928
Salaries and benefits	40,150	57,251	88,222	22,621	208,244
Selling, general and administrative	23,141	41,000	54,870	10,416	129,427
Acquisition-related contingent consideration gain	(19,319 )	—	—	—	(19,319 )
Goodwill impairment	—	18,425	—	—	18,425
Depreciation and amortization	29,537	16,756	18,395	365	65,053
Total operating expenses	214,890	709,219	339,270	31,379	1,294,758
Operating income (expense)	\$81,350	\$39,461	\$31,095	\$(33,495 )	\$118,411
Other income (expense)					
Interest income					1,998
Interest expense					(10,139 )
Income from unconsolidated affiliates					206
Other gains, net					2,398
Foreign currency exchange gain, net					2,211
Total other expense, net					(3,326 )
Income before income taxes					\$115,085
Segment assets as of December 31, 2013	\$347,066	\$757,289	\$471,820	\$18,983	\$1,595,158
Property and equipment, net as of December 31, 2013	\$64,972	\$27,176	\$23,768	\$314	\$116,230

Table of ContentsIndex to Consolidated Financial Statements

Total revenues for the years ended December 31, 2015, 2014 and 2013, and property and equipment and total assets as of December 31, 2015 and 2014, summarized by geographic location, were as follows:

	Revenues			Property and Equipment, net		Total Assets	
	For the year ended December 31,			as of December 31,		as of December 31,	
(in thousands)	2015	2014	2013	2015	2014	2015	2014
United States	\$529,467	\$440,166	\$341,964	\$24,693	\$24,988	\$350,583	\$355,045
Germany	377,170	389,060	336,551	14,946	13,649	347,893	362,156
United Kingdom	124,485	124,839	92,201	5,600	3,757	315,347	343,151
Poland	105,129	113,837	103,147	57,287	43,063	106,691	87,976
Australia	77,643	89,430	105,459	2,434	2,195	89,538	114,901
India	78,783	72,736	59,744	5,518	2,622	62,409	49,880
Spain	62,086	59,949	54,804	9,756	4,837	74,598	73,884
Italy	56,896	58,970	54,765	3,596	2,012	88,683	86,780
Greece	31,568	33,711	22,205	4,719	4,609	40,000	32,756
New Zealand	56,735	32,967	22,664	2,382	1,950	163,574	195,001
Other	272,300	248,485	219,665	26,437	21,625	553,398	336,917
Total foreign	1,242,795	1,223,984	1,071,205	132,675	100,319	1,842,131	1,683,402
Total	\$1,772,262	\$1,664,150	\$1,413,169	\$157,368	\$125,307	\$2,192,714	\$2,038,447

Revenues are attributed to countries based on location of the customer, with the exception of software sales made by the Company's software subsidiary, which are attributed to the U.S.

## (17) Financial Instruments and Fair Value Measurements

## Concentrations of credit risk

The Company's credit risk primarily relates to trade accounts receivable and cash and cash equivalents. The EFT Processing Segment's customer base includes the most significant international card organizations and certain banks in its markets. The epay Segment's customer base is diverse and includes several major retailers and/or distributors in markets that they operate. The Money Transfer Segment trade accounts receivable are primarily due from independent agents that collect cash from customers on the Company's behalf and generally remit the cash within one week. The Company performs ongoing evaluations of its customers' financial condition and limits the amount of credit extended, or purchases credit enhancement protection, when deemed necessary, but generally requires no collateral. See Note 14, Valuation and Qualifying Accounts, for further disclosure.

The Company invests excess cash not required for use in operations primarily in high credit quality, short-term duration securities that the Company believes bear minimal risk.

## Fair value measurements

Fair value measurements used in the consolidated financial statements are based upon the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

105

---

Table of ContentsIndex to Consolidated Financial Statements

Level 3 – Unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the inputs that market participants would use in pricing.

The following table details financial assets measured and recorded at fair value on a recurring basis:

		As of December 31, 2015			
(in thousands)	Balance Sheet Classification	Level 1	Level 2	Level 3	Total
Assets					
Foreign currency exchange contracts	Other current assets	\$—	\$37,034	\$—	\$37,034
Liabilities					
Foreign currency exchange contracts	Other current liabilities	\$—	(25,891 )	\$—	\$(25,891 )
		As of December 31, 2014			
(in thousands)	Balance Sheet Classification	Level 1	Level 2	Level 3	Total
Assets					
Foreign currency exchange contracts	Other current assets	\$—	\$41,151	—	\$41,151
Liabilities					
Foreign currency exchange contracts	Other current liabilities	\$—	\$(36,439 )	—	\$(36,439 )

The carrying amounts of cash and cash equivalents, trade accounts receivable, trade accounts payable and short-term debt obligations approximate fair values due to their short maturities. The carrying values of the Company's term loan due 2019 and revolving credit agreements approximate fair values because interest is based on the London Inter-Bank Offered Rate ("LIBOR") that resets at various intervals of less than one year. The Company estimates the fair value of the convertible notes using quoted prices in inactive markets for identical liabilities (Level 2). As of December 31, 2015 and 2014, the fair values of the convertible notes were \$509.7 million and \$408.0 million, respectively, with carrying values of \$347.9 million and \$338.0 million, respectively.

#### Contingent Consideration Liability

The contingent consideration liability relating to the Pure Commerce acquisition was recorded at fair value using a Monte Carlo simulation. The significant unobservable inputs used in the fair value measurement of the contingent consideration liability were forecasted financial results, including estimates of future revenues, gross profit, and EBITDA (Level 3). As of the acquisition date, the fair value of the contingent consideration liability was \$21.7 million. Changes in any of these inputs could result in a significantly higher or lower fair value measurement. Changes in the fair value of the contingent consideration liability are recorded as income or expense within operating income in the Company's Consolidated Statements of Income.

During 2013, the Company recorded a \$2.4 million foreign currency exchange gain related to this contingent consideration liability as a result of fluctuations in the value of the Australian dollar against the U.S. dollar. In third quarter of 2013, the Company adjusted to fair value the contingent consideration liability based on its assessment that the performance targets for gross profit and EBITDA would not be met. As of December 31, 2013 (end of the performance period), the fair value of the contingent consideration liability was zero. The change in fair value resulted in the recognition of a \$19.3 million gain.

#### Impairment of goodwill and acquired intangible assets

Certain assets are measured at fair value on a non-recurring basis for purpose of initial recognition and impairment testing. These assets are subject to fair value adjustments when events or changes in circumstances indicate that the carrying amounts may not be recoverable. In connection with the annual goodwill impairment test during the fourth quarter of 2013, the Company assessed the fair value of goodwill and recorded goodwill impairment charges related to certain of its reportable units of \$18.4 million. The fair values were determined using significant unobservable inputs (Level 3). The fair values of goodwill related to impaired reporting units were determined by calculating the

implied fair values as the excess of the fair value of the respective entity over the fair value of its net assets. No other assets were measured at fair value on a non-recurring basis during 2015, 2014, or 2013.

Table of Contents

Index to Consolidated Financial Statements

(18) Litigation and Contingencies

Contingencies

Unclaimed property compliance - In September 2013, the Company entered into a voluntary disclosure agreement (“VDA”) with the Secretary of State of the State of Delaware to determine compliance with Delaware unclaimed property laws. Types of property under examination include, but are not limited to, payroll checks, accounts payable checks and accounts receivable credits for the period 1996 through 2007. In June 2015, the Company reached an agreement with the State of Delaware regarding unclaimed property for this period and through periods ending in 2009 and remitted an amount which was not material to the Company's consolidated financial statements.

Legal Proceedings

From time to time, the Company is a party to legal and regulatory proceedings arising in the ordinary course of its business. Currently, there are no legal proceedings or regulatory findings that management believes, either individually or in the aggregate, would have a material adverse effect upon the consolidated financial statements of the Company. In accordance with U.S. GAAP, the Company records a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel, and other information and events pertaining to a particular case.

(19) Commitments

As of December 31, 2015, the Company had \$65.8 million of stand-by letters of credit/bank guarantees issued on its behalf, of which \$3.0 million are collateralized by cash deposits held by the respective issuing banks.

Under certain circumstances, the Company grants guarantees in support of obligations of subsidiaries. As of December 31, 2015, the Company granted off balance sheet guarantees for cash in various ATM networks amounting to \$15.6 million over the terms of the cash supply agreements and performance guarantees amounting to approximately \$23.8 million over the terms of the agreements with the customers.

Each of the Company's subsidiaries, once they reach a certain size, is required under the Credit Facility to provide a guarantee of all or a portion of the outstanding obligations under the Credit Facility depending upon whether the subsidiary is a domestic or foreign entity.

From time to time, the Company enters into agreements with unaffiliated parties that contain indemnification provisions, the terms of which may vary depending on the negotiated terms of each respective agreement. The amount of such potential obligations is generally not stated in the agreements. Euronet's liability under such indemnification provisions may be mitigated by relevant insurance coverage and may be subject to time and materiality limitations, monetary caps and other conditions and defenses. Such indemnification obligations include the following:

In connection with contracts with financial institutions in the EFT Processing Segment, the Company is responsible for damage to ATMs and theft of ATM network cash that, generally, is not recorded on the Company's Consolidated Balance Sheets. As of December 31, 2015, the balance of cash used in the Company's ATM networks for which the Company was responsible was approximately \$494.7 million. The Company maintains insurance policies to mitigate this exposure;

- In connection with contracts with financial institutions in the EFT Processing Segment, the Company is responsible for losses suffered by its customers and other parties as a result of the breach of its computer systems, including in particular, losses arising from fraudulent transactions made using information stolen through its processing systems. The Company maintains insurance policies to mitigate this exposure;

- In connection with the license of proprietary systems to customers, the Company provides certain warranties and infringement indemnities to the licensee, which generally warrant that such systems do not infringe on intellectual property owned by third parties and that the systems will perform in accordance with their specifications;



Euronet has entered into purchase and service agreements with vendors and consulting agreements with providers of consulting services, pursuant to which the Company has agreed to indemnify certain of such vendors and consultants, respectively, against third-party claims arising from the Company's use of the vendor's product or the services of the vendor or consultant;

In connection with acquisitions and dispositions of subsidiaries, operating units and business assets, the Company has entered into agreements containing indemnification provisions, which can be generally described as follows: (i) in connection with acquisitions of operating units or assets made by Euronet, the Company has agreed to

Table of Contents

Index to Consolidated Financial Statements

indemnify the seller against third party claims made against the seller relating to the operating unit or asset and arising after the closing of the transaction, and (ii) in connection with dispositions made by Euronet, Euronet has agreed to indemnify the buyer against damages incurred by the buyer due to the buyer's reliance on representations and warranties relating to the subject subsidiary, operating unit or business assets in the disposition agreement if such representations or warranties were untrue when made; and

Euronet has entered into agreements with certain third parties, including banks that provide fiduciary and other services to Euronet or to the Company's benefit plans. Under such agreements, the Company has agreed to indemnify such service providers for third-party claims relating to carrying out their respective duties under such agreements. The Company is also required to meet minimum capitalization and cash requirements of various regulatory authorities in the jurisdictions in which the Company has money transfer operations. The Company has obtained surety bonds in compliance with money transfer licensing requirements of the applicable governmental authorities.

To date, the Company is not aware of any significant claims made by the indemnified parties or third parties to guarantee agreements with the Company and, accordingly, no liabilities were recorded as of December 31, 2015 or 2014.

(20) Related Party Transactions

The Company leases airplanes from companies partially owned by Mr. Michael J. Brown, Euronet's Chief Executive Officer, President and Chairman of the Board of Directors. The airplanes are leased for business use on a per flight hour basis at competitive commercial rates with no minimum usage requirement. Euronet incurred expenses of \$0.3 million, \$0.4 million and \$0.3 million during the years ended December 31, 2015, 2014 and 2013, respectively, for the use of these airplanes.

In June 2014, the Company signed an ATM operating agreement with Rontec Ltd., a U.K. company in which Gerald Ronson holds a majority of the shares. Mr. Ronson is the father-in-law of Paul Althasen, one of the Company's directors. This is a commercial agreement under which the Company leases ATM sites from Rontec Ltd. at rates which it considers to be competitive commercial rates. The Company paid \$0.1 million under this agreement in 2015 and 2014.

Table of ContentsIndex to Consolidated Financial Statements

## (21) Selected Quarterly Data (Unaudited)

(in thousands, except per share data)

For the Year Ended December 31, 2015

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	\$395,162	\$425,148	\$481,373	\$470,579
Operating income	\$32,163	\$47,180	\$70,274	\$55,224
Net income	\$7,125	\$26,521	\$31,324	\$33,522
Net income attributable to Euronet Worldwide, Inc.	\$7,178	\$26,809	\$31,334	\$33,487
Earnings per common share:				
Basic	\$0.14	\$0.52	\$0.60	\$0.63
Diluted	\$0.13	\$0.50	\$0.57	\$0.61
For the Year Ended December 31, 2014				
Revenues	\$353,315	\$395,462	\$453,422	\$461,951
Operating income	\$24,382	\$34,128	\$50,732	\$49,489
Net income	\$15,933	\$20,488	\$34,909	\$30,158
Net income attributable to Euronet Worldwide, Inc.	\$16,022	\$20,502	\$35,037	\$30,087
Earnings per common share:				
Basic	\$0.32	\$0.40	\$0.67	\$0.58
Diluted	\$0.30	\$0.38	\$0.64	\$0.55

Table of Contents

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our executive management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) under the Exchange Act as of December 31, 2015. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the design and operation of these disclosure controls and procedures were effective as of such date to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Controls Over Financial Reporting

There has been no change in our internal control over financial reporting during the fourth quarter of 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Report On Internal Control Over Financial Reporting

To the Stockholders of Euronet Worldwide, Inc.:

Management is responsible for establishing and maintaining an effective internal control over financial reporting as this term is defined under Rule 13a-15(f) of the Securities Exchange Act of 1934 and has made organizational arrangements providing appropriate divisions of responsibility and has established communication programs aimed at assuring that its policies, procedures and principles of business conduct are understood and practiced by its employees. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management of Euronet Worldwide, Inc. assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2015. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013). Management has excluded IME and XE Corporation from our assessment of internal control over financial reporting, which were acquired in purchase business combinations during 2015. IME's and XE Corporation's total assets were \$115.8 million and \$118.6 million, respectively, and total revenues were \$28.9 million and \$4.5 million, respectively, and which were included in the consolidated financial statements of the Company as of and for the year ended December 31, 2015. Based on these criteria and our assessment, we have determined that, as of December 31, 2015, the Company's internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2015, has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their audit report, included herein.

/s/ Michael J. Brown

Michael J. Brown  
Chief Executive Officer

/s/ Rick L. Weller  
Rick L. Weller  
Chief Financial Officer and Chief Accounting Officer

February 26, 2016

110

---

Table of Contents

Item 9B. Other Information

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The information under “Election of Directors,” “Section 16(a) Beneficial Ownership Reporting Compliance” and “Meetings and Committees of the Board of Directors” in the Proxy Statement for the 2016 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2015, is incorporated herein by reference. Information concerning our Code of Business Conduct and Ethics for our employees, including our Chief Executive Officer and Chief Financial Officer, is set forth under “Availability of Reports, Certain Committee Charters, and Other Information” in Part I of this annual report on Form 10-K and incorporated herein by reference. Information concerning executive officers is set forth under “Executive Officers of the Registrant” in Part I of this Annual Report on Form 10-K and incorporated herein by reference.

We intend to satisfy the requirement under Item 5.05 of Form 8-K to disclose any amendments to our Code of Business Conduct and Ethics and any waiver from a provision of our Code of Ethics by disclosing such information on a Form 8-K or on our Website at [www.euronetworldwide.com](http://www.euronetworldwide.com) under Investor Relations/Corporate Governance.

Item 11. Executive Compensation

The information under “Compensation Tables,” “Compensation Discussion and Analysis,” “Director Compensation,” “Report of Compensation Committee” and “Compensation Committee Interlocks and Insider Participation” in the Proxy Statement for the 2016 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2015, is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information under “Beneficial Ownership of Common Stock” and “Election of Directors” in the Proxy Statement for the 2016 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2015, is incorporated herein by reference. The information in Part II, Item 5, “Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchase of Equity Securities - Equity Compensation Plan Table” is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information under “Certain Relationships and Related Transactions and Director Independence” in the Proxy Statement for the 2016 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2015, is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information under “Audit Matters - Fees of the Company’s Independent Auditors” and - “Audit Matters - Audit Committee Pre-Approval Policy” in the Proxy Statement for the 2016 Annual Meeting of Stockholders, which will be

filed with the Securities and Exchange Commission no later than 120 days after December 31, 2015, is incorporated herein by reference.

Table of Contents

Part IV

Item 15. Exhibits and Financial Statement Schedules

(a)List of Documents Filed as Part of this Report.

1. Financial Statements

The Consolidated Financial Statements and related notes, together with the report of KPMG LLP, appear in Part II, Item 8 - Financial Statements and Supplementary Data, of this Form 10-K.

2. Schedules

None.

3. Exhibits

The exhibits that are required to be filed or incorporated by reference herein are listed in the Exhibit Index below.

Exhibits

Exhibit Index

Exhibit Description

2.1	Share Purchase Agreement, dated as of March 7, 2014, among Euronet Worldwide, Inc. and the Sellers referenced therein. (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on March 11, 2014 (File No. 001-31648) and incorporated herein by reference). (4)
3.1	Certificate of Incorporation of Euronet Worldwide, Inc., as amended (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed on May 22, 2009 (File No. 001-31648) and incorporated by reference herein)
3.2	Certificate of Amendment to Certificate of Incorporation of Euronet Worldwide, Inc. (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 22, 2009 (File No. 001-31648) and incorporated by reference herein)
3.3	Amended and Restated Certificate of Designations, Preferences and Rights of Series A Junior Participating Preferred Stock (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on March 29, 2013 (File No. 001-31648), and incorporated herein by reference)
3.4	Amended and Restated Bylaws of Euronet Worldwide, Inc. (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 19, 2013 (File No. 001-31648), and incorporated herein by reference)
4.1	Rights Agreement, dated as of March 26, 2013, between Euronet Worldwide, Inc. and Computershare Trust Company, N.A., as Rights Agent (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on March 29, 2013 (File No. 001-31648), and incorporated herein by reference)
4.2	Indenture, dated November 5, 2014, between the Company and U.S. Bank National Association, as trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on November 5, 2014 (File No.



001-31648), and incorporated herein by reference)

4.3 Form of 1.50% Convertible Senior Note due 2044 (included as Exhibit A to Exhibit 4.2 above)

112

---

Table of Contents

- 10.1 Euronet Worldwide, Inc. 2002 Stock Incentive Plan (Amended and Restated) (included as Appendix B to the Company's Definitive Proxy Statement filed on April 20, 2004 (File No. 000-22167), and incorporated by reference herein) (2)
- 10.2 Rules and Procedures for Euronet Matching Stock Option Grant Program (filed as Exhibit 10.3 to Company's Form 10-Q filed on November 14, 2002 (File No. 000-22167) and incorporated by reference herein) (2)
- 10.3 Form of Employee Restricted Stock Grant Agreement pursuant to Euronet Worldwide, Inc. 2006 Stock Incentive Plan (filed as Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q filed on August 4, 2006 (File No. 001-31648), and incorporated by reference herein) (2)
- 10.4 Form of Employee Restricted Stock Unit Agreement for Executives and Directors pursuant to Euronet Worldwide, Inc. 2006 Stock Incentive Plan (filed as Exhibit 10.39 to the Company's Annual Report on Form 10-K filed February 28, 2007 (File No. 001-31648), and incorporated by reference herein) (2)
- 10.5 Employment Agreement dated June 19, 2007 between Euronet Worldwide, Inc. and Kevin J. Caponecchi (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 25, 2007 (File No. 001-31648), and incorporated by reference herein) (2)
- 10.6 Amended and Restated Employment Agreement dated April 10, 2008 between Euronet Worldwide, Inc. and Michael J. Brown, Chairman and Chief Executive Officer (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on May 9, 2008 (File No. 001-31648), and incorporated by reference herein) (2)
- 10.7 Amended and Restated Employment Agreement dated April 10, 2008 between Euronet Worldwide, Inc. and Rick L. Weller, Executive Vice President and Chief Financial Officer (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on May 9, 2008 (File No. 001-31648), and incorporated by reference herein) (2)
- 10.8 Amended and Restated Employment Agreement dated April 10, 2008 between Euronet Worldwide, Inc. and Jeffrey B. Newman, Executive Vice President and General Counsel (filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed on May 9, 2008 (File No. 001-31648), and incorporated by reference herein) (2)
- 10.9 Amended and Restated Employment Agreement dated April 10, 2008 between Euronet Worldwide, Inc. and Juan C. Bianchi, Executive Vice President and Managing Director, Money Transfer Segment (filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q filed on May 9, 2008 (File No. 001-31648), and incorporated by reference herein) (2)
- 10.10 Form of Indemnification Agreement, (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 22, 2008 (File No. 001-31648), and incorporated by reference herein)
- 10.11 Euronet Worldwide, Inc. 2006 Stock Incentive Plan, as amended and restated (filed as Appendix A to the Company's Definitive Proxy Statement filed on April 15, 2013 (File No. 001-31648), and incorporated by reference herein) (2)
- 10.12 Form of Employee Restricted Stock Unit Agreement, as amended, pursuant to Euronet Worldwide, Inc. 2006 Stock Incentive Plan (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on

Edgar Filing: EURONET WORLDWIDE INC - Form 10-K

May 7, 2010 (File No. 001-31648) and incorporated by reference herein) (2)

10.13 Form of Nonqualified Stock Option Agreement, as amended, pursuant to Euronet Worldwide, Inc. 2006 Stock Incentive Plan (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 7, 2010 (File No. 001-31648) and incorporated by reference herein) (2)

10.14 Euronet Worldwide, Inc. Long-Term Incentive Stock Option Plan (1996), as amended (filed as Exhibit 10.23 to the Company's Annual Report on Form 10-K filed on February 25, 2011 and incorporated by reference herein) (2)

113

---

Table of Contents

10.15	Euronet Worldwide, Inc. Stock Option Plan (1998), as amended (filed as Exhibit 10.24 to the Company's Annual Report on Form 10-K filed on February 25, 2011 (File No. 001-31648) and incorporated by reference herein) (2)
10.16	Employment Agreement dated February 24, 2011 between Euronet Card Services SA and Nikos Fountas, Senior Vice President - Managing Director, Europe EFT Processing Segment (filed as Exhibit 10.25 to the Company's Annual Report on Form 10-K filed on February 25, 2011 (File No. 001-31648) and incorporated by reference herein) (2)
10.17	Bonus Compensation Agreement between Euronet Worldwide, Inc. and Nikos Fountas, Senior Vice President - Managing Director, Europe EFT Processing Segment (filed as Exhibit 10.26 to the Company's Annual Report on Form 10-K filed on February 25, 2011 (File No. 001-31648) and incorporated by reference herein) (2)
10.18	Euronet Worldwide, Inc. Employee Stock Purchase Plan, as amended (1)
10.19	Euronet Worldwide, Inc. Executive Annual Incentive Plan, as amended (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on August 4, 2011 (File No. 001-31648) and incorporated by reference herein) (2)
10.20	Amended and Restated Credit Agreement dated as of August 18, 2011 among Euronet Worldwide, Inc., and certain Subsidiaries and Affiliates, as Borrowers, certain Subsidiaries and Affiliates as Guarantors, the Lenders Party Hereto, Bank of America, N.A., as Administrative Agent and Collateral Agent, U.S. Bank National Association, as Syndication Agent and Bank of Montreal, BBVA Compass Bank, Keybank National Association, as Co-Documentation Agents (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 23, 2011 (File No. 001-31648) and incorporated by reference herein)
10.21	Commitment Increase Agreement, dated as of October 11, 2012 by and among Euronet Worldwide, Inc., and certain Subsidiaries and Affiliates, as Borrowers under the Master Revolving Commitments, certain Subsidiaries and Affiliates as Guarantors, the Incremental Commitment Lenders, and Bank of America, N.A., as Administrative Agent (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 15, 2012 (File No. 001-31648) and incorporated by reference herein)
10.22	Amendment No. 1 dated April 9, 2014, to the Amended and Restated Credit Agreement dated as of August 18, 2011 among Euronet Worldwide, Inc., and certain Subsidiaries and Affiliates, as Borrowers, certain Subsidiaries and Affiliates as Guarantors, the Lenders, Bank of America, N.A., as Administrative Agent and Collateral Agent, U.S. Bank National Association, BMO Capital Markets and BBVA Compass Bank, as Syndication Agent and Wells Fargo as Documentation Agent (filed as Exhibit 10.1 to the Company's Annual Report on Form 10-Q filed on May 2, 2014 (File No. 001-31648) and incorporated by reference herein)
10.23	Purchase Agreement, dated October 30, 2014, among the Company and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC, for themselves and on behalf of several initial purchasers named therein (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 5, 2014 (File No. 001-31648), and incorporated by reference herein)
12.1	Computation of Ratio of Earnings to Fixed Charges (1)
21.1	Subsidiaries of the Registrant (1)

- 23.1 Consent of Independent Registered Public Accounting Firm (1)
- 31.1 Section 302 — Certification of Chief Executive Officer (1)
- 31.2 Section 302 — Certification of Chief Financial Officer (1)
- 32.1 Section 906 Certification of Chief Executive Officer (3)

114

---

Table of Contents

32.2 Section 906 Certification of Chief Financial Officer (3)

101 The following materials from Euronet Worldwide, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets at December 31, 2015 and 2014, (ii) Consolidated Statements of Income for the years ended December 31, 2015, 2014 and 2013, (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2015, 2014 and 2013, (iv) Consolidated Statements of Changes in Equity for the years ended December 31, 2015, 2014 and 2013, (v) Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013, and (vi) Notes to the Consolidated Financial Statements.

---

(1) Filed herewith.

(2) Management contracts and compensatory plans and arrangements required to be filed as Exhibits pursuant to Item 15(a) of this report.

(3) Pursuant to Item 601(b)(32) of Regulation S-K, this Exhibit is furnished rather than filed with this Form 10-K.

Portions of this document have been redacted and are subject to an order granting confidential treatment under the (4) Securities Exchange Act of 1934, as amended (File No. 1-31648 - CF#30821). Redacted portions are indicated with the notation [\*\*\*].

PLEASE NOTE: Pursuant to the rules and regulations of the Securities and Exchange Commission, we have filed or incorporated by reference the agreements referenced above as exhibits to this Annual Report on Form 10-K. The agreements have been filed to provide investors with information regarding their respective terms. The agreements are not intended to provide any other factual information about the Company or its business or operations. In particular, the assertions embodied in any representations, warranties and covenants contained in the agreements may be subject to qualifications with respect to knowledge and materiality different from those applicable to investors and may be qualified by information in confidential disclosure schedules not included with the exhibits. These disclosure schedules may contain information that modifies, qualifies and creates exceptions to the representations, warranties and covenants set forth in the agreements. Moreover, certain representations, warranties and covenants in the agreements may have been used for the purpose of allocating risk between the parties, rather than establishing matters as facts. In addition, information concerning the subject matter of the representations, warranties and covenants may have changed after the date of the respective agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures. Accordingly, investors should not rely on the representations, warranties and covenants in the agreements as characterizations of the actual state of facts about the Company or its business or operations on the date hereof.

Table of Contents

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Euronet Worldwide, Inc.

Date: February 26, 2016

/s/ Michael J. Brown  
Michael J. Brown  
Chairman of the Board of Directors, Chief Executive  
Officer, President and Director (principal executive officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title
/s/ Michael J. Brown Michael J. Brown February 26, 2016	Chairman of the Board of Directors, Chief Executive Officer, President and Director (principal executive officer)
/s/ Rick L. Weller Rick L. Weller February 26, 2016	Chief Financial Officer and Chief Accounting Officer (principal financial officer and principal accounting officer)
/s/ Paul S. Althasen Paul S. Althasen February 26, 2016	Director
/s/ Andrzej Olechowski Andrzej Olechowski February 26, 2016	Director
/s/ Eriberto R. Scocimara Eriberto R. Scocimara February 26, 2016	Director
Thomas A. McDonnell	Director
/s/ Andrew B. Schmitt Andrew B. Schmitt February 26, 2016	Director
/s/ M. Jeannine Strandjord M. Jeannine Strandjord February 26, 2016	Director

/s/ Mark R. Callegari  
Mark R. Callegari  
February 26, 2016

Director

116